

1 IN THE COUNTY OF RUSSELL

2
3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
4 VIRGINIA GAS AND OIL BOARD
5
6
7

8 JANUARY 18, 2011

9
10 APPEARANCES:

11 **BOARD MEMBERS:**

12 MARY QUILLEN - PUBLIC MEMBER AND SUBSTITUTE CHAIRMAN
13 BRUCE PRATHER - OIL REPRESENTATIVE
14 BILL HARRIS - PUBLIC MEMBER
15 KATIE DYE - PUBLIC MEMBER

16
17 **CHAIRMAN:**

18 BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD
19 DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND
20 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD
21 DIANE DAVIS - STAFF MEMBER OF THE DGO
22 SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

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1 BUTCH LAMBERT: Good morning, ladies and
2 gentlemen. It's now after 9:00 o'clock and it's time for
3 us to get started. If you will please take your seat.
4 Ladies and gentlemen, I ask if you have cell phones or
5 other communication devices if you will please turn those
6 off or at least put them on vibrate. If you need to take
7 a call, I'd ask that you please go out in the hall and
8 take that call. These proceedings are being recorded and
9 we need...we need the recorder to be able to hear what is
10 being said up here. So, if you would kindly help us with
11 that, we'd appreciate it. At this time, I'd ask the
12 Board to please introduce themselves beginning with Ms.
13 Dye.

14 KATIE DYE: Good morning. I'm Katie Dye. I'm a
15 public member from Buchanan County.

16 SHARON PIGEON: I'm Sharon Pigeon with the
17 Office of the Attorney General.

18 BUTCH LAMBERT: And I'm Butch Lambert with the
19 Department of Mines, Minerals and Energy.

20 BILL HARRIS: Good morning. I'm Bill Harris, a
21 public member from Wise County.

22 BRUCE PRATHER: I'm Bruce Prather. I represent
23 the oil and gas industry on the Board.

24

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1 MARY QUILLEN: Mary Quillen, a public member.

2 BUTCH LAMBERT: Thank you. Ladies and

3 gentlemen, since we had to reschedule our December

4 meeting. During public comment period, I'll ask if you

5 could please be brief. We have numerous items on the

6 agenda today. If you could just be as brief as possible,

7 we'd certainly appreciate that. First up for public

8 comment is Shirley Keen.

9 SHIRLEY KEEN: Good morning.

10 BRUCE PRATHER: Good morning.

11 BUTCH LAMBERT: Please state your name for the

12 record.

13 SHIRLEY KEEN: Shirley Keen.

14 BUTCH LAMBERT: You may proceed.

15 SHIRLEY KEEN: I'm here again. My family

16 members are getting...some of them are getting more on

17 their checks than others. The paperwork is not right.

18 We are the same split agreement. I mean, not...some of

19 them signed a...supposedly in 2004. They never received

20 their money out of escrow account. Now, this is back in

21 2004 in October. And the ones that are getting checks,

22 some of them are smaller than others. We are the same

23 plat of land. It should be the same amount. One of them

24

1 got eight cents and one of them got three dollars and
2 something. The one that got the eight cents had not even
3 signed a split agreement. So, this paperwork needs to be
4 fixed. The acreage is not right. It needs to be fixed.
5 They come to some of my other family members wanting
6 them to sign an affidavit. That's not going to happen.
7 But we want this paperwork fixed. We want our acreage
8 fixed right. Our grandmother was put down as a
9 granddaughter. She is a daughter. That wasn't fixed.
10 We want this paperwork fixed and taken care of. If they
11 are still claiming that they signed a split agreement,
12 their money did not come out of the escrow account since
13 2004. I thank you.

14 BUTCH LAMBERT: Thank you, Ms. Keen. Juanita
15 Sneeuwaght.

16 JUANITA SNEEUWAGHT: Good morning. Juanita
17 Sneeuwaght with the Committee for Constitutional and
18 Environmental Justice. I see...I was going to ask for
19 some comments about the audit, but I see the ladies are
20 here and they will present it before I have to leave
21 today. So, that takes care of that. Judy McKinney was
22 going to try to be here. I believe...I may have my
23 companies wrong today. I believe Range Resources would

24

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1 like to build another well on her mountain top. Mr.
2 Lambert, she said that would directly impact you and
3 probably impact you. She would like for you to advise
4 her.

5 BUTCH LAMBERT: I will look into that.

6 JUANITA SNEEUWAGHT: So, you will get to give
7 Judy an advisor.

8 BUTCH LAMBERT: I will. I will give her a call
9 tonight.

10 JUANITA SNEEUWAGHT: Okay, good. Thank you.
11 Have a good day.

12 BUTCH LAMBERT: Thank you. The next item on the
13 docket is an update from the escrow agent. Good morning.

14 KAREN MCDONALD: Good morning.

15 DEBBIE DAVIS: Good morning. Do you all have
16 your handouts?

17 BUTCH LAMBERT: Excuse me?

18 DEBBIE DAVIS: I was checking to make sure that
19 you had your handouts.

20 BUTCH LAMBERT: Oh. Everyone...everyone did
21 have their handouts?

22 (No audible response.)

23 DEBBIE DAVIS: Hello. My name is Debbie Davis.

24

--

1 I'm the trust officer with First Bank & Trust Company.

2 KAREN MCDONALD: And I'm Karen McDonald. I'm
3 the investment officer with First Bank & Trust.

4 DEBBIE DAVIS: Let us begin again to thank you
5 all for giving us the opportunity to serve the Board on
6 the management of the funds. You'll see under tab...the
7 first tab, I have completed a quarterly report showing
8 that the working interest deposits was \$9,038.80.
9 Royalty deposits were \$500,172.06. Income earned was
10 \$25,034.23. Escrow fees were \$6,585.73. Audit expenses
11 paid for the last quarter was \$51,190.18. Distributions
12 made was \$330,487.32, which gives us a market value as of
13 12/31 of \$26,437,048...let me try that again,
14 \$26,437,400.71. The next is a breakdown per well. That
15 will show how moneys earned and deposits and fee, of
16 course, were per each well. One of the things that I
17 wanted to discuss and remind with the Board is making
18 sure that at some point we do get something from the
19 producers to verify that we are receiving all of the
20 checks and deposits. I know at disbursement time there
21 should be some sort of coordination that...that the
22 balances are correct. I know we provide the producers
23 with a breakdown of what we've received. But I'm not

24

--

1 receiving nothing telling what they've sent to me.

2 BUTCH LAMBERT: Okay. Well---.

3 DEBBIE DAVIS: So---.

4 BUTCH LAMBERT: ---that's...yeah, we...yeah, we
5 understand that. As part of the state audit that was
6 conducted on procedures of the Board, that may be one
7 item that we need to address as the Board---.

8 DEBBIE DAVIS: Okay.

9 BUTCH LAMBERT: ---to the companies.

10 DEBBIE DAVIS: Right.

11 BUTCH LAMBERT: And we will be discussing that
12 here shortly---.

13 DEBBIE DAVIS: Right.

14 BUTCH LAMBERT: ---about how to do that.

15 DEBBIE DAVIS: I mean, there's always room for
16 error and that will just be one more step to prevent that
17 from happening.

18 BUTCH LAMBERT: Okay.

19 DEBBIE DAVIS: We always would like to continue
20 pursuing the ACH where deposits were made automatically
21 instead of having checks issued and then mailed in. Not
22 only would that be a time saving feature, I think it
23 would cut down on the expense of postage and check

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1 producing. So, hopefully, this next year that's
2 something that we can really work with with the producers
3 on getting that into place.

4 BUTCH LAMBERT: Okay. We...again, that's
5 another part of the audit that we just...the audit report
6 that we just received. We will be talking with producers
7 on how to best handle that part of it as well.

8 DEBBIE DAVIS: Okay. Do you all have any
9 questions on moneys received or---?

10 BILL HARRIS: Mr. Chairman---.

11 BUTCH LAMBERT: Mr. Harris.

12 BILL HARRIS: ---let me just ask a question. In
13 the handouts, I notice that there are some...on some
14 pages like ten of twenty-four, for instance, there is
15 the...whatever color that is that's a bar that goes
16 across, sort of a beige color.

17 DEBBIE DAVIS: That's more for my use.

18 BILL HARRIS: Oh, okay.

19 DEBBIE DAVIS: If I normally should be seeing a
20 working interest deposit, that flags me that normally in
21 the past we have received working interest deposits. As
22 I'm receiving moneys in, that's something that flags me
23 to be looking for that.

24

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1 BILL HARRIS: Oh, okay. Okay.

2 MARY QUILLEN: So, that's just an in-house
3 indicator for you?

4 DEBBIE DAVIS: Yes.

5 BILL HARRIS: There is a legend that I was just
6 shown that that---.

7 DEBBIE DAVIS: Oh, that's fine.

8 BILL HARRIS: Now, where did you find that---?

9 BUTCH LAMBERT: It's on page twenty-one of
10 twenty-four.

11 DEBBIE DAVIS: That's like the greens on the
12 ones where the orders expired and has not been renewed
13 and we have been instructed by David and Diane that, you
14 know, until that order is taken care we shouldn't receive
15 funds in.

16 BILL HARRIS: Should not receive...okay, yeah, I
17 found the legend. We're okay. Thank you. Thank you.

18 BUTCH LAMBERT: Any other questions from the
19 Board?

20 (No audible response.)

21 DEBBIE DAVIS: If there's not any other
22 questions, I'll turn it over to Karen to discuss the
23 investments.

24

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1 KAREN MCDONALD: The...behind the next tab is
2 current investments showing money market balance actually
3 as of Friday of \$7,654,158.61. That is now earning 40
4 bases points. We have continued with the purchasing of
5 CEDARS and the reinvestment of CEDARS as our six months
6 CEDARS has started to mature. So, as of Friday, we had
7 \$18,620,00 invested in the CEDARS program. So, this
8 sheet is just a summary of the investments.

9 MARY QUILLEN: This is the summary of what we
10 did at the end of December, special meeting, is that---?

11

12 KAREN MCDONALD: Correct. Correct. So, we did
13 extra purchases in December and then we continued with
14 what the Board had approved for the first of January. If
15 there are no questions on that page, then the next page
16 gives you more detail behind the next tab and shows the
17 estimated balances as we move through purchasing more
18 CEDARS. So, this reflects the new ICS money market
19 account and the January balance of Friday was...as I
20 quoted, the seven million dollar figure earning 40 bases
21 points. Then, I've arrived at the February and March
22 balance purely by subtracting the CEDARS that we will
23 purchase in February and March just to give you an

24

--

1 estimate of where our plan brings us on cash disregarding
2 any distributions or contributions. So, at the end of
3 our March purchases we could be in the range of three and
4 a half million in cash. Then the second half of the page
5 shows you the current holdings and then in the
6 highlighted in orange and green are what the Board has
7 approved for us to continue purchasing, which will drive
8 the actually cash balance down to that figure of around
9 three and a half million. I apologize to the Board. I
10 made an error in some calculations on the interest the
11 last time on the estimated quarterly income. So, it was
12 actually showing less income than it should have been
13 represented. So, that has been corrected in a
14 spreadsheet that I sent over after our December meeting.
15 This page reflects an estimated income for the quarter.
16 So, as you can see, we are making some nice progress
17 with the investments and getting a better return anywhere
18 from 40 bases points to 65 bases points. Any questions
19 on...and I'm assuming, Chairman Lambert, that we
20 will...since we will probably not be back with you until
21 the end of the quarter, so it will be April unless you
22 ask us different, but we will continue in April to renew
23 the invested CEDARS and maintain this lower cash balance

24

--

1 unless---.

2 BUTCH LAMBERT: Yes.

3 KAREN MCDONALD: ---the Board instructs us
4 otherwise.

5 BUTCH LAMBERT: No, I think at this point that
6 we will continue on that path.

7 KAREN MCDONALD: And at anytime that the Board
8 finds that there might be a need for more cash, they can
9 notify us and we can...we can stop the renewal process or
10 alter the plan as you need us to.

11 BUTCH LAMBERT: Okay.

12 KAREN MCDONALD: So, that's how we continue
13 through the quarter. Then the last page, which Mr.
14 Harris enjoys looking at so much, I don't want to neglect
15 it, it's just showing that the Treasury rates have...have
16 improved somewhat. Still to get even the 25 bases points
17 that we had been earning originally in the money market
18 account, you have to commit for a year to those funds.
19 So, these funds that are not in CEDARS are fully liquid
20 and accessible to you at anytime. We continue to watch
21 interest rates and to see if there might be other
22 investment options. But at this point, the CEDARS
23 continue to be the safest FDIC fully covered. All of

24

--

1 these balances now are FDIC insured.

2 BUTCH LAMBERT: We appreciate that. That was
3 our goal.

4 KAREN MCDONALD: Okay. Any questions?

5 BUTCH LAMBERT: Just a housekeeping, Ms.
6 McDonald, did you...did you get the letter back signed
7 that you sent to me?

8 KAREN MCDONALD: I did.

9 BUTCH LAMBERT: Okay.

10 KAREN MCDONALD: Thank you very much.

11 BUTCH LAMBERT: Thank you. Just checking. I
12 couldn't remember if we did that or not.

13 KAREN MCDONALD: We got that accomplished late
14 last week.

15 BUTCH LAMBERT: Great. Thank you. Any
16 questions from the Board?

17 (No audible response.)

18 BUTCH LAMBERT: Thank you. We appreciate your
19 name.

20 KAREN MCDONALD: Thank you so much.

21 DEBBIE DAVIS: Thank you.

22 MARY QUILLEN: Thank you.

23 BUTCH LAMBERT: The next item on the docket it a
24
25

1 petition from CNX Gas Company, LLC requesting
2 disbursement of funds and authorization of direct payment
3 of royalties from coalbed methane gas unit Buchanan 1,
4 SGU1 for Tract 52, docket number VGOB-98-1117-0697-02.
5 All parties wishing to testify, please come forward.

6 MARK SWARTZ: Mark Swartz and Anita Duty.

7 BUTCH LAMBERT: Good morning.

8 MARK SWARTZ: Good morning.

9 (Anita Duty is duly sworn.)

10 BUTCH LAMBERT: You may proceed, Mr. Swartz.

11

12 ANITA DUTY

13 having been duly sworn, was examined and testified as
14 follows:

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SWARTZ:

17 Q. Anita, you need to state your name for
18 us, please.

19 A. Anita Duty.

20 Q. And who do you work for?

21 A. CNX Land Resources.

22 Q. And with regard to these initial items on
23 the docket here, the request for disbursements,
24

--

1 generally, what is your...what are your duties?

2 A. To file the petition and make sure the
3 accounts are proper.

4 Q. Okay. With regard to item three on the
5 docket or actually item two on the docket, Tract 52 was
6 excluded from a request that we made in November of 2010,
7 correct?

8 A. Yes.

9 Q. And does that pertain at all to item
10 three as well?

11 A. It does.

12 MARK SWARTZ: It might help to call that as
13 well.

14 BUTCH LAMBERT: Also, calling docket item number
15 three, a petition from CNX Gas Company, LLC requesting
16 disbursement of funds and authorization of direct payment
17 of royalties from coalbed methane gas unit Buchanan 1,
18 SGU1, Tract 27, docket number VGOB-98-1117-0697-03.

19 MARK SWARTZ: Thank you. On that, it would also
20 be Mark Swartz and Anita Duty.

21 BUTCH LAMBERT: I'm sorry, Mr. Swartz. This
22 thing is running. I don't if anybody else is, but I'm
23 having trouble hearing you.

24

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1 MARK SWARTZ: Appearing on item three, it would
2 also be Mark Swartz and Anita.

3 BUTCH LAMBERT: Okay. Thank you.

4 Q. Anita, with regard to the hearing that we
5 had in November, with regard to Tract 52 in Buchanan 1,
6 seal gob unit 1, Board elected to not disburse on that
7 tract, correct?

8 A. Yes.

9 Q. And is it true that we really need a
10 decision on that disbursement before we address the
11 disbursements pertaining to item three because it's going
12 to change the numbers?

13 A. Yes.

14 Q. Did you prepare the request for
15 disbursement on item three assuming that you filed it
16 before Tract 52 was excluded?

17 A. Yes.

18 Q. Okay. So, the...so, the...we need to
19 know today, if at all possible, whether or not,
20 pertaining to docket item two, the testimony will be
21 accepted and the disbursement allowed that we requested
22 in November so that we can slightly revise the
23 documentation with regard to Exhibit Three, is that where
24

1 we are?

2 A. It is.

3 MARK SWARTZ: Okay. So, what we need to today

4 is, I think the folks are here, we need to know if

5 there's a continuing objection to that or not and we need

6 that guidance to get the numbers right.

7 BUTCH LAMBERT: Folks, if you all would please

8 come forward and state your name for the record.

9 RALPH KEEN: I'm Ralph Keen.

10 JAY C. LAMBERT: Jay C. Lambert.

11 DONNA WOODS: Donna Woods.

12 DOLORES ESTEP: Dolores Estep.

13 BUTCH LAMBERT: Good morning. Thank you.

14 (Mark Swartz and Anita Duty confers with

15 Dolores Estep.)

16 DOLORES ESTEP: Well, we're still objecting to

17 that 50% royalty split. No one out of all of them

18 remember signing anything on that. We all just feel that

19 they deserve a 100%. We're objecting to the 50% royalty

20 split. That's our main objection. Do you want to say

21 anything?

22 BUTCH LAMBERT: Is there a copy of the split

23 agreement?

24

--

1 MARK SWARTZ: We provided it to you all at the
2 November hearing.

3 BUTCH LAMBERT: Oh, well---.

4 MARK SWARTZ: I mean, you know, that's the
5 problem that---.

6 BUTCH LAMBERT: ---David and I weren't here, so
7 we're trying to play catch up.

8 MARK SWARTZ: Okay.

9 DAVID ASBURY: I don't have it in my file.

10 MARK SWARTZ: Well, I remember it was emailed to
11 me. I remember we got it while we were here and I
12 believe I emailed it...I did. I emailed it to you. But
13 that would have been in November. I showed it to the
14 folks...some of the folks that are here to confirm that
15 we actually had a document. So, that...and that's what
16 occurred in November.

17 DAVID ASBURY: Okay.

18 MARK SWARTZ: And as I, you know...just to sort
19 of focus the Board, we requested a disbursement
20 predicated upon a written split agreement that we have in
21 our file. We confirmed that we have it and obtained it
22 when we were here in November. They indicated...what
23 they're telling you today, that they don't recall signing
24

1 it or that the people who signed it didn't recall. They
2 weren't really arguing that it wasn't their signature.
3 They were just saying, we don't have any recollection of
4 this and we would like some additional time. What I'm
5 hearing today is, I hear them saying we didn't sign it or
6 we don't agree with it. Really, you know, we don't have
7 a position other than, you know, we had a split agreement
8 that we relied on to request the disbursement and
9 it's...I guess, in your hands to determine whether or not
10 you want to proceed under those circumstances.

11 DOLORES ESTEP: Well, what we don't understand,
12 there were six of them at the time. None of them
13 remember signing that. I don't really know why anyone
14 would. I mean, I don't know why anyone would say, here,
15 I'll let you have 50% of whatever I get. None of
16 them...I mean, this is my dad and my uncle and they don't
17 remember signing it.

18 MARY QUILLEN: Mr. Swartz, whose name is
19 actually on the signature? Refresh my memory.

20 ANITA DUTY: Ralph Keen.

21 MARY QUILLEN: And which one is Ralph?

22 RALPH KEEN: I'm Ralph Keen. And I signed---.

23 MARY QUILLEN: Right. And I know that you did
24

1 ask for additional time to go back and look at your own
2 documents. Do you all have a copy of that?

3 DOLORES ESTEP: We don't find that---.

4 MARY QUILLEN: You don't have a copy of it?

5 (No audible response.)

6 MARY QUILLEN: Have you looked at a copy that
7 Mr. Swartz has--?

8 DOLORES ESTEP: We looked at it on the computer
9 screen?

10 MARY QUILLEN: ---and verify your signature?

11 DOLORES ESTEP: They looked at it on the
12 computer screen the last time.

13 MARY QUILLEN: And are you saying this is not
14 your signature?

15 DOLORES ESTEP: It look...it kind of looks like
16 it. I mean, I don't know...I don't know why anyone would
17 sign half of...you know, what they should have get over
18 someone else---.

19 RALPH KEEN: I signed---.

20 DOLORES ESTEP: ---and none of them remember
21 signing anything.

22 RALPH KEEN: I signed a lot of other documents
23 with right-of-ways and gave them a lease and everything
24

1 like that. But I never...I never signed anything that
2 was mentioned to me about giving them half.

3 MARY QUILLEN: Do you have a copies of those
4 doc...all of those documents that you signed?

5 RALPH KEEN: Huh-.

6 DOLORES ESTEP: Well, we have a lot of them. I
7 mean, I...we should have them all.

8 MARY QUILLEN: Did you bring any of them for
9 exhibits today?

10 DOLORES ESTEP: No. I only brought the last
11 month...the meeting that should have been held in
12 November that was cancelled.

13 MARY QUILLEN: No, we met in November. The
14 December meeting was cancelled.

15 DOLORES ESTEP: Right.

16 MARY QUILLEN: Uh-huh.

17 DOLORES ESTEP: I only had the stuff from the
18 November.

19 DAVID ASBURY: I printed it. Diane went to get
20 it.

21 BUTCH LAMBERT: Okay. Apparently, we have copy.
22 We're going to go get that copy now. Ms. Quillen, is
23 that the issue that was on the November docket?

24

--

1 MARY QUILLEN: Yes...yes, sir. That's the
2 reason...they said they did not remember signing that
3 document. Mr. Swartz had the computerized version of it.
4 They asked for a month to look at the...at their own
5 documents. That's the reason I asked, did they bring the
6 copy of those documents, but they didn't bring a copy of
7 those documents.

8 DOLORES ESTEP: Well, we didn't find the one. I
9 mean, we couldn't find anything showing they had signed,
10 you know, for 50% split royalty. All of us---.

11 MARY QUILLEN: But you signed everything at the
12 same time? That was my question. Did you sign all of
13 these things at one time?

14 DOLORES ESTEP: We don't know. I mean, we don't
15 remember signing---.

16 MARY QUILLEN: What are the dates that are on
17 your documents that was---?

18 DOLORES ESTEP: Oh, them are the ones from the
19 November meeting. I'll let you see them. These are the
20 only things I have. In November, they sent them out for
21 the December meeting.

22 (Ms. Quillen reviews the documents.)

23 MARY QUILLEN: No, I'm talking about the
24

1 documents. These are just...this is just the meeting
2 agenda items.

3 DOLORES ESTEP: Right.

4 MARY QUILLEN: No, I'm asking about the
5 documents. He said that he signed a lot of documents
6 that---.

7 DOLORES ESTEP: Oh, that's throughout the whole
8 period of---.

9 MARY QUILLEN: Right. And do you have copies of
10 all of those documents?

11 DOLORES ESTEP: We have a lot of them.

12 MARY QUILLEN: Well, that was what I was asking
13 so that---.

14 DOLORES ESTEP: I mean, I could bring them---.

15 MARY QUILLEN: You know, that...you know, to
16 bring those documents to look at them.

17 DOLORES ESTEP: Well, I can bring them the next
18 time. But I didn't...you know. I mean, we have a stack
19 of them that high.

20 MARK SWARTZ: I've located the file on my
21 computer again. I mean, I still have it.

22 BUTCH LAMBERT: Mr. Asbury has it as well and
23 he's printing it.

24

--

1 DAVID ASBURY: Trying to print it.

2 BUTCH LAMBERT: Yeah, trying to print it. The
3 printers aren't down are they?

4 MARK SWARTZ: Do you want me to send another
5 copy to Sharon or---?

6 DAVID ASBURY: Yeah. Why don't you try yours?
7 Mine is supposed to be printing.

8 MARK SWARTZ: Okay. We'll see if Diane comes
9 back with it.

10 DOLORES ESTEP: Why would anyone sign an
11 agreement like that?

12 MARY QUILLEN: I mean, I don't know. I mean,
13 the only thing we have to go by is, you know, what
14 signature is on the document and that's the reason I was
15 asking about the other documents to see if the dates
16 correspond with other documents that you had signed at
17 that same time to kind of have an idea of, you know---.

18 DOLORES ESTEP: Well, we don't know that we...I
19 mean, they may have been some others at the same time.
20 But, I mean, it might have been...I mean, they have got
21 so many for the right-of-way and all of that. You know,
22 people has come and had them sign for the right-of-way
23 and timber and things like that. But---.

24

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1 BRUCE PRATHER: I assume these signatures were
2 notarized weren't they?

3 MARY QUILLEN: Were the signatures notarized on
4 all of these documents?

5 DOLORES ESTEP: I honestly don't know. We have
6 looked through so many things and seen, you
7 know...there's so many papers and we didn't really
8 understand it all. But we can't find anything saying
9 that...you know, that mom and dad signed away 50% of what
10 should have been theirs. I don't know why anyone would.
11 That's what I'm asking. Why?

12 BILL HARRIS: Yeah. We get a lot of folks that
13 sign that because the...there are times when coal
14 companies also claim ownership of the gas. Some land
15 companies sometimes do that. And...so that money goes
16 into escrow. So, in an effort to release that money,
17 there have been agreements...we get them a lot now where
18 there was a 50/50 split or a 25/75% where 75 would
19 go...but otherwise there's either action through the
20 Court or there's some other methods. But they would
21 involve part of a legal process in order to prove that
22 that actually is a 100% yours. So, a lot of people do
23 sign the 50/50 split agreements in order just to release

24

--

1 the money.

2 BUTCH LAMBERT: Mr. Swartz, what date was that?

3 DOLORES ESTEP: 2002.

4 DAVID ASBURY: February the 16th, 2002. It has

5 a notary from Tazewell, Virginia by James W. Waddell. Is

6 that right? I can't tell if that's a W. or an H. But it

7 has a notary public signature on it on the same day that

8 the signature was signed and a Vivian Kinder of Tazewell.

9 Diane will bring the documents here shortly.

10 MARY QUILLEN: Whose signature is on that, Mr.

11 Asbury?

12 DAVID ASBURY: There are two, Ralph Keen and

13 Grace Keen.

14 BUTCH LAMBERT: And who is Grace Keen, Mr. Keen?

15 RALPH KEEN: My wife.

16 MARY QUILLEN: Who signed for Coal Mountain?

17 DAVID ASBURY: Coal Mountain Mining was

18 signed...it says management. George...George W.

19 Williams. George W. Williams.

20 BRUCE PRATHER: Mr. Chairman, I've got a

21 question.

22 BUTCH LAMBERT: Mr. Prather.

23 BRUCE PRATHER: Since there's only two

24

1 signatures on this document, would Mr. Keen be the agent
2 for the rest of the people involved? Would he be a
3 designated agent for the rest of the Heirs?

4 DOLORES ESTEP: No, because everyone has
5 signed...all of them signed when it involves all of them.
6 Just on that one.

7 BRUCE PRATHER: I mean, I'm rather curious as to
8 why there are just two signatures on the---.

9 DOLORES ESTEP: Yeah. I mean---.

10 BRUCE PRATHER: ---and the rest of these people
11 are not---.

12 ANITA DUTY: They're all separate documents.

13 BRUCE PRATHER: Oh, they're all separate
14 documents.

15 ANITA DUTY: Yeah. Yes.

16 BRUCE PRATHER: Oh, okay. Okay, that will
17 answer that.

18 BUTCH LAMBERT: Do we have the other documents?

19 ANITA DUTY: Who...who all do we need to...I
20 didn't---.

21 BUTCH LAMBERT: Well, first of all, these other
22 three parties that are here if we only have one that's
23 signed by Mr. Keen.

24

--

1 ANITA DUTY: Well, I mean, we can get the
2 others. I just need to know the names that are...I
3 didn't know this was in dispute with anyone other than
4 Ralph Keen. So, we can get the other ones.

5 BUTCH LAMBERT: Well, I guess, the question that
6 Mr. Prather is asking is did Ralph Keen sign for the
7 other three parties that are here?

8 ANITA DUTY: No. The other parties signed
9 individually.

10 BUTCH LAMBERT: Okay.

11 MARY QUILLEN: So, is there a dispute from the
12 other parties as well?

13 DONNA WOODS: Yes.

14 DOLORES ESTEP: Yes.

15 ANITA DUTY: I wasn't aware of that. That's
16 what I'm saying, I can get those---.

17 MARY QUILLEN: Oh. Well, we weren't either
18 because that...the only one that we had talked about was
19 the one with Mr. Keen that had asked about the document.

20 SHARON PIGEON: Dolores Estep was here the last
21 time.

22 DOLORES ESTEP: I was here the last time.

23 MARY QUILLEN: Right. You were with your
24

1 father. Right.

2 DOLORES ESTEP: Right, with my dad. Yeah. Yes.

3 And we tried to speak for Anna Ruth Lambert and Anne

4 Justus, which---.

5 MARY QUILLEN: Right. But you can't do that.

6 DOLORES ESTEP: ---were the only two that were

7 on.

8 MARY QUILLEN: Right.

9 DOLORES ESTEP: Right.

10 MARY QUILLEN: Yeah, because they have to be

11 here---.

12 DOLORES ESTEP: Right.

13 MARY QUILLEN: ---unless you are their agent.

14 That's the reason he was asking about that.

15 DOLORES ESTEP: They couldn't be here today.

16 Anna Ruth is here, her husband is here and her daughter

17 they're here. But the others were sick and having

18 testing run at the hospital and they couldn't come for

19 this meeting.

20 MARY QUILLEN: Are you alls names on that?

21 RALPH KEEN: Mine is here.

22 MARY QUILLEN: Yours is, okay.

23 MARK SWARTZ: Well, the Tract 52 that Mr. Keen

24

1 was disputing he owns by himself, okay. Item three on
2 the docket involves Tract 27 and you will notice that are
3 additional people in that who are some of the folks that
4 we're now adding to the list. But with regard to Tract
5 52, the conflict was only between Mr. Keen and Coal
6 Mountain. There were no other undivided owners of the
7 oil and gas interest. Okay, so with regard to docket
8 item two, the only split agreement at issue is one, okay.

9 MARY QUILLEN: Right.

10 MARK SWARTZ: With regard to item three, there
11 would be multiple...apparently, there are now multiple
12 split agreements at issue. So, I mean, there's a slight
13 overlap, but they're certainly not the same. We're
14 talking about Tract 52, which has one oil and gas owner
15 in item two and then in item three we're talking about
16 several oil and gas owners.

17 MARY QUILLEN: And that was the docket item for
18 November was with Mr. Keen only?

19 MARK SWARTZ: Only, correct?

20 MARY QUILLEN: Okay.

21 BUTCH LAMBERT: Mr. Lambert, I guess we need to
22 clear up one thing before we go any further. We don't
23 know each other, do we? We're not related, are we?

24

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1 JAY C. LAMBERT: No. No, I've never saw you
2 before.

3 BUTCH LAMBERT: I just wanted to clear that one
4 up. So, Mr. Swartz, on petition number two, Tract 52,
5 we're only talking about Mr. Keen?

6 MARK SWARTZ: Correct.

7 BUTCH LAMBERT: And the other parties aren't
8 involved in Tract 52?

9 MARK SWARTZ: Correct. We do not show any other
10 of the oil and gas interest except him in Tract 52,
11 correct.

12 BUTCH LAMBERT: Okay. Then Tract 3 involves the
13 other parties that are here today?

14 MARK SWARTZ: Item three.

15 BUTCH LAMBERT: I'm sorry, item three Tract 27.

16 MARK SWARTZ: And there's a list at the end.
17 You know, there are several other co-owners that have
18 signed split agreements. And, of course, until we got
19 here today, we didn't realize that...we sort of expected
20 that Ralph Keen might say, you know, I have the same
21 position with regard to this tract.

22 ANITA DUTY: He is also on here.

23 MARK SWARTZ: Right. Exactly. He is in there.
24

1 But, you know, we weren't aware that we were going to
2 have other arguments with regard to people about their
3 split agreements.

4 DOLORES ESTEP: They are also on this too. Anna
5 Ruth Lambert and Anne Justus, they're also objecting.

6 MARK SWARTZ: But they're not...they're not
7 owners.

8 DOLORES ESTEP: Anna Ruth is.

9 ANITA DUTY: Not on Tract 52.

10 MARK SWARTZ: Not on Tract 52.

11 ANITA DUTY: We're just talking about...the one
12 that we continued from November was just Tract 52.

13 DOLORES ESTEP: Well, they were on there the
14 last time, all three of them. All three of their names
15 were there.

16 MARY QUILLEN: On Tract 52?

17 DOLORES ESTEP: Because I tried to object for
18 the whole family, for them...for them two. Arnold Keen
19 and---.

20 ANITA DUTY: They were listed...they would still
21 have ownership in the unit, but they weren't on that
22 particular tract that we were disbursing.

23 MARK SWARTZ: There is Tract 52 and it's just
24

1 Ralph.

2 MARY QUILLEN: There was only the one on that

3 tract.

4 BUTCH LAMBERT: So, lets try to pull this back

5 together and get a handle on this. On petition number

6 two for Tract 52, it's showing Anna R. Lambert and Ralph

7 Keen. Is that correct?

8 MARY QUILLEN: No.

9 ANITA DUTY: No.

10 MARY QUILLEN: Only...only Keen...Ralph Keen.

11 Because there was only...there was only one on that

12 tract.

13 BUTCH LAMBERT: It's only 52, okay. Okay, I

14 follow you.

15 ANITA DUTY: If you look at Exhibit EE that's

16 included in the disbursement rather than looking at

17 the...because this sheet only accounts for Tract 27

18 because that's what we filed for the following...what

19 happened was we had the hearing that got continued and

20 this was filed at the same...about the same time and we

21 didn't realize that they were going to conflict with each

22 other. So---.

23 MARK SWARTZ: Well, if you look at---.

24

1 BUTCH LAMBERT: Well, I'm looking at Exhibit A
2 for petition number two and you're right. On this
3 exhibit it shows Ralph Keen only on 52.
4 MARK SWARTZ: Correct. Correct.
5 ANITA DUTY: Yes. Now, the additional filing
6 that we filed the following month, we had Tract 27 on
7 there, which is the one---.
8 MARK SWARTZ: That's item three.
9 ANITA DUTY: That's item three and that's the
10 one they're objecting to as a group.
11 BUTCH LAMBERT: Okay. Do you have signed split
12 agreements for all of those folks on Tract 27?
13 ANITA DUTY: Yes. Adult...I mean, I know...do
14 you have Anna Lambert's?
15 DAVID ASBURY: Do you remember about what date?
16 BUTCH LAMBERT: So, Mr. Keen, you're here
17 objecting to a disbursement for Tract 52 that you're
18 showing as the owner and not the other parties?
19 RALPH KEEN: Yeah.
20 BUTCH LAMBERT: And your objection is that you
21 didn't...did not the sign a 50/50 split agreement, is
22 that correct?
23 RALPH KEEN: Well, I don't remember ever signing
24
25

1 anything that I would go...give them half of it. I
2 signed quite a few of them for the right-of-way and when
3 we sold it and everything else. But I've never told
4 anyone that I would take half of the...half price.

5 BUTCH LAMBERT: So, Mr. Keen, we have...we have
6 the printed split agreement now. Did somebody give him a
7 copy and let him look at it, please? Thank you.

8 (Ralph Keen and Dolores Estep reviews the
9 document.)

10 RALPH KEEN: It looks like my signature, but I
11 don't remember ever signing anything like that.

12 BUTCH LAMBERT: Okay.

13 SHARON PIGEON: Does it look like your wife's
14 signature under---?

15 BUTCH LAMBERT: Did you hear...Mr. Keen, she
16 asked if that looked like your wife's signature as well.

17 RALPH KEEN: Well, I don't...no, it don't. Not
18 really.

19 DOLORES ESTEP: Mom normally writes real small.
20 She can't see well and she has to get real close to
21 anything.

22 RALPH KEEN: But she don't remember anyone
23 ever...telling anyone that we would take 50%.

24

--

1 BUTCH LAMBERT: Okay. But you just said that
2 that does look like your signature, but you just don't
3 remember signing it. Is that correct?
4 RALPH KEEN: That's right.
5 BUTCH LAMBERT: Okay. Okay. Anything further,
6 Mr. Swartz?
7 MARY QUILLEN: And the fact that it's notarized
8 is that---?
9 MARK SWARTZ: Other than to say we don't
10 really...you know, it's our job to come over here and
11 make petitions to disburse money from your escrow
12 account, but it's really up to you all. So, you know, if
13 you want...if your choice is to leave the money in there,
14 you're not going to get any push back from us.
15 MARY QUILLEN: Well, if they think that this is
16 not their signatures or have---.
17 MARK SWARTZ: It was notarized. I mean, I'm
18 sorry, I'm not going there. Okay, all I'm saying is that
19 I don't...I don't...I would assume that a notarized
20 document is a good document.
21 MARY QUILLEN: That's...that's my problem with
22 it too is the fact---.
23 MARK SWARTZ: Yeah.

24

--

1 MARY QUILLEN: ---that it's notarized.

2 MARK SWARTZ: But on the other hand, you know,

3 it's not our money, meaning my client and...and if it

4 stays in escrow, it's okay with us.

5 BRUCE PRATHER: This is not CNX's document in

6 the first place. This is---.

7 MARK SWARTZ: Correct.

8 BRUCE PRATHER: ---Coal Mine Company or

9 whatever it is.

10 MARK SWARTZ: Correct.

11 MARY QUILLEN: Coal Mountain Mining, uh-huh.

12 BRUCE PRATHER: Yeah. It's their document.

13 It's not yours.

14 BUTCH LAMBERT: Okay. Any further---?

15 DAVID ASBURY: Chairman Lambert.

16 BUTCH LAMBERT: I'm sorry. Mr. Asbury.

17 DAVID ASBURY: It is a notarized document, but

18 it is not a recorded document.

19 BUTCH LAMBERT: I understand. I understand.

20 Any further discussion from the Board?

21 (No audible response.)

22 BUTCH LAMBERT: We have now before us a signed

23 split agreement that Mr. Keen says that looks like his

24

1 signature, but he does not remember signing it. The
2 documents have been notarized. So, are there any further
3 discussion or questions from the Board?

4 (No audible response.)

5 BUTCH LAMBERT: Do I have a motion from the
6 Board?

7 MARY QUILLEN: Mr. Chairman, I have---.

8 BUTCH LAMBERT: Ms. Quillen.

9 MARY QUILLEN: ---a motion that we do not
10 approve disbursement of funds for this unit and the funds
11 remain in escrow and it will be up to the Keens to get
12 some kind of clarification or...on this document that we
13 can...giving us the right to move forward. We actually
14 do have now the...I believe that they should have that
15 opportunity.

16 BUTCH LAMBERT: I'm not sure I understood the
17 motion.

18 BILL HARRIS: Yeah.

19 MARY QUILLEN: A motion that we do not...we deny
20 the request for disbursement of funds for Tract 52 and
21 the Keens would have the responsibility of getting some
22 sort of ruling on this document. In the meantime, the
23 funds would remain in escrow.

24

--

1 BUTCH LAMBERT: If you can't disburse...Mr.
2 Swartz, if you can't disburse 52...Tract 52, those...I
3 heard you say those units are tied together and you can't
4 disburse 27 then?

5 MARK SWARTZ: Well, Exhibit A to docket item
6 three is going to be slightly incorrect. So, we would
7 either have to proceed and...with the understanding that
8 we would submit a corrected exhibit given the fact that
9 we now have a decision on Tract 52 after the hearing that
10 could happen or, I guess, you could continue it, you
11 know. I mean, we've called the docket item and I think
12 we need to find out whether or not any people on the list
13 for item three on making the same contention that Mr.
14 Keen has been making today so that we are efficient about
15 making one trip when we come back on three. I see some
16 nodding. So, I think...do you understanding what I'm
17 saying in terms of---?

18 BUTCH LAMBERT: Uh-huh. I understand. Uh-huh.

19 MARK SWARTZ: Okay.

20 BUTCH LAMBERT: Okay. So, we have a motion. Do
21 I have a second? Now, this is only on petition number
22 two---.

23 MARY QUILLEN: Two, Tract 52.

24

--

1 BUTCH LAMBERT: ---for Tract 52.

2 BILL HARRIS: Mr. Chairman, I'll go ahead and
3 second that motion. Although, in honesty, I'm not sure
4 what options still exist at this point except that it
5 just stays in escrow until that is resolved. Is
6 that---?

7 MARK SWARTZ: I mean, that's...as I understood
8 the motion, I think that's what she had in mind.

9 BUTCH LAMBERT: That's what---.

10 MARY QUILLEN: Exactly.

11 BILL HARRIS: And that's what...yeah, I'll
12 second...I'll second the motion then.

13 BUTCH LAMBERT: I have a motion and a second.
14 All in favor, signify by saying yes.
15 All those in favor, signify by saying yes.

16 (All members signify by saying yes, but Katie
17 Dye and Butch Lambert.)

18 BUTCH LAMBERT: Opposed, no.

19 KATIE DYE: I'll abstain.

20 BUTCH LAMBERT: No. One abstention, Mrs. Dye.
21 Okay, that one had the motion to...we will not disburse
22 that. Mr. Keen, did you understand the motion?

23 RALPH KEEN: Yeah.

24

--

1 BUTCH LAMBERT: Okay. That the money will stay
2 in escrow and not be disbursed until such a time that you
3 can resolve the issue with your split agreement on
4 whether or not you did sign it or if you can remember
5 signing it and then they can come back before the Board
6 and request disbursement. So, Mr. Keen, do you
7 understand?

8 RALPH KEEN: Yeah.

9 BUTCH LAMBERT: Okay. Okay.

10 MARK SWARTZ: With regard to item three, if they
11 could tell the Board who doesn't...who is raising the
12 same objection so when we come back here, you know, they
13 are not on Exhibit A to item three because we know we
14 need to revise that. So, of the people listed here, who
15 is here today?

16 DOLORES ESTEP: Jay C. Lambert.

17 MARK SWARTZ: Well, Ralph Keen is here, correct?

18 DOLORES ESTEP: Correct.

19 MARK SWARTZ: And---?

20 DOLORES ESTEP: And Anna Ruth Lambert and her
21 husband.

22 MARK SWARTZ: Anna Ruth Lambert. And who else?

23 DOLORES ESTEP: And that's it.

24

--

1 MARK SWARTZ: Okay. So, would the Board be safe
2 in assuming that on Tract 27, which is docket item three,
3 Mr. Ralph Keen and Anna Lambert are contending that
4 there's a problem with the split agreement?
5 DOLORES ESTEP: Yes.
6 MARK SWARTZ: Okay. And those are the only two
7 people on this list that are here today that are making
8 that contention?
9 DOLORES ESTEP: Right.
10 MARK SWARTZ: Okay.
11 DOLORES ESTEP: (Inaudible.)
12 MARK SWARTZ: Right. But we haven't called
13 those yet.
14 DOLORES ESTEP: All right.
15 MARK SWARTZ: Okay.
16 BRUCE PRATHER: Mr. Chairman.
17 BUTCH LAMBERT: Mr. Prather.
18 MARY QUILLEN: We have one additional thing that
19 we feel like that needs to be incorporated into this as
20 we move forward is that a representative from Coal
21 Mountain Mining needs to be here.
22 BRUCE PRATHER: This...this document really is a
23 blanket...it doesn't refer to anything as far as acreage.
24

1 This agreement is a blanket type of an agreement and it
2 covers everything.

3 MARY QUILLEN: Everything.

4 BRUCE PRATHER: It's whatever you want to put in
5 it that you don't want to contest. But that's basically
6 what this document is. When this was signed, it's a
7 blanket agreement unfortunately.

8 MARK SWARTZ: Well, you need to know that we
9 mailed these to Coal Mountain, you know.

10 MARY QUILLEN: Right.

11 MARK SWARTZ: So, I'm just saying, we don't have
12 control over them. I'm just saying that---.

13 MARY QUILLEN: Right.

14 BRUCE PRATHER: Yeah.

15 BUTCH LAMBERT: I understand.

16 MARK SWARTZ: ---they were given notice because
17 their money was potentially coming out, you know.
18 So---.

19 MARY QUILLEN: Right.

20 MARK SWARTZ: And they...and my recollection is
21 I'm not sure they have ever come to one of these, but,
22 you know, I just don't---.

23 MARY QUILLEN: In my...I don't remember---.

24

--

1 BUTCH LAMBERT: They've been to one.

2 MARY QUILLEN: ---ever seeing anybody.

3 MARK SWARTZ: Have they been to one?

4 BUTCH LAMBERT: Yes. So, Mr. Swartz, would you
5 like to continue item three?

6 MARK SWARTZ: With the record that we've just
7 made, yes. I mean, that we're going to continue to deal
8 with the Tract 52 resolution that we had today and we're
9 going to remove, as I understand it, the two...the
10 ...we're going to remove Mr. Keen from item three and
11 Anna Lambert from item three and adjust it for the Tract
12 52 outcome. So, continue it with that understanding and
13 all you're going to get from us is a revised Exhibit A.

14 BUTCH LAMBERT: Okay.

15 MARK SWARTZ: Okay, does that work?

16 BUTCH LAMBERT: So, we will continue item...
17 docket item number three until...how long do you need?

18 MARK SWARTZ: How about next week? Well, I
19 mean, it's just---.

20 BUTCH LAMBERT: It has done been posted.
21 February?

22 DAVID ASBURY: It has to be February.

23 MARK SWARTZ: No, no. No, no. Guys, if people
24

1 show up for a hearing and/or don't show up and you
2 continue it until tomorrow you have authority to do that.
3 You don't have to republish this. If they want to hear
4 it, this people know it's going to be next week.

5 BUTCH LAMBERT: We'll probably can do that and
6 you may be correct, but our docket for next week is full.
7 So, we would like to continue that until February, okay.
8 Is that all right?

9 MARK SWARTZ: Okay. That's cool. But I was
10 hoping against hope.

11 BILL HARRIS: Mr. Chairman, I don't want to
12 overdo this, but I just want to make sure that Mr. Keen
13 understands that nothing happens with the money that's in
14 escrow until this signature situation has resolved. So,
15 you will probably need to go back to the Coal Mountain
16 Mining Company and talk to them about this agreement
17 and...now, they will probably produce this same document
18 and say, well, we have your signature notarized as of
19 2002. So, I'm not sure where you go from there. But
20 that's...but that's where things are left. We are not
21 doing anything until you all resolve that issue. So, in
22 other words, as a Board, we don't do more with it. You
23 will need to take that upon yourself to do that. So,

24

--

1 whatever agreements you all reach at that point, I would
2 imagine can supercede these. Is that possible to happen?
3 I guess, I'm asking---.

4 BRUCE PRATHER: Through the Courts.

5 BUTCH LAMBERT: If they work their agreement and
6 CNX comes back for an additional...ask for a
7 disbursement, we can proceed.

8 BILL HARRIS: So, they can actually have another
9 agreement that supercedes this one, is what I'm saying?

10 ANITA DUTY: Sure.

11 BILL HARRIS: Okay. That's all.

12 SHARON PIGEON: But you could also have Coal
13 Mountain come back and ask that this be heard---.

14 BILL HARRIS: And say you sign this and that's
15 it.

16 SHARON PIGEON: ---and use this very same
17 evidence and say here is a notarized document and that's
18 more persuasive than a non-document. So, it could come
19 back on that basis as well.

20 BILL HARRIS: Yeah. Yeah.

21 BUTCH LAMBERT: Okay.

22 BILL HARRIS: But I wanted you to understand the
23 sort of...it's still between you all and Coal Mountain to
24

1 resolve that issue.

2 MARY QUILLEN: You all have to agree on
3 what...how you resolve it?

4 BILL HARRIS: Because they're claiming that they
5 own it regardless of whether or not you all say no they
6 don't or whatever. They're claiming---.

7 DOLORES ESTEP: Right.

8 BILL HARRIS: ---that they own it. Okay.

9 DOLORES ESTEP: We understand.

10 BILL HARRIS: Okay. We're moving on. We're
11 calling item number four on the docket. It's a petition
12 from CNX Gas Company, LLC requesting disbursement of
13 funds and authorization of direct payment of royalties
14 from coalbed methane gas unit V-36, Tract 2C, docket
15 number VGOB-98-0324-0638-04. All parties wishing to
16 testify, please come forward.

17 MARK SWARTZ: Mark Swartz and Anita Duty. If
18 there's nobody else, if these folks could stay because
19 they're going to be here on five, six and seven so they
20 don't have to move.

21 BUTCH LAMBERT: Okay. That's fine.

22 (Off record discussion.)

23 BUTCH LAMBERT: You may proceed, Mr. Swartz.

24

1

2

ANITA DUTY

3 having been duly sworn, was examined and testified as
4 follows:

5

DIRECT EXAMINATION

6 QUESTIONS BY MR. SWARTZ:

7 Q. Anita, would you state your name for us,
8 please?

9 A. Anita Duty.

10 Q. Who do you work for?

11 A. CNX Land Resources.

12 Q. And what do you do for them with regard
13 to the matters pertaining to this petition?

14 A. I have prepared the petition and make
15 sure the accounts are in order.

16 Q. Okay. This pertains to one tract,
17 correct?

18 A. Yes.

19 Q. Which one?

20 A. 2C.

21 Q. And it's unit V as in Victor 36, correct?

22 A. Yes.

23 Q. And after...if the Board approves this
24

--

1 disbursement and direct payment request, there will still
2 be an escrow account for this...for this unit, correct?

3 A. Yes.

4 Q. And Exhibit 3 pretty clearly...I'm sorry,
5 Exhibit A-1 pretty clearly shows that because there's,
6 you know, roughly \$389,000 in the escrow account and
7 you're disbursing here, oh, it looks
8 like---.

9 A. This one is a little different.

10 Q. You've got two disbursements, but you're
11 clearly not disbursing the entire amount, which actually
12 on the first page of the exhibit is almost \$800,000,
13 correct?

14 A. Yes.

15 Q. Okay. There was a transfer here after a
16 royalty split agreement was signed, is that correct?

17 A. Yes.

18 Q. Okay. And what...what was that transfer?

19 A. Martha Stilwell sold the property to the
20 trustees of Wilderness Tabernacle.

21 Q. Okay. And do we know the date when that
22 happened?

23 A. August the 2nd, 2007.

24

--

1 Q. Okay. And is there an effort...before we
2 get to the documents, is there an effort to allocate that
3 royalty money to Martha Stilwell before the date of the
4 transfer and to the church after the date of the
5 transfer?

6 A. Yes.

7 Q. And that's why we've actually got two
8 spreadsheets here, correct?

9 A. That's correct.

10 Q. And that's the whole reason why there are
11 two or is there some other reason why there is two?

12 A. No, that's the reason.

13 Q. Okay. And is the request for
14 disbursement predicated upon a royalty split agreement?

15 A. Yes.

16 Q. Is it a 50/50 agreement?

17 A. It is.

18 Q. Is it in writing?

19 A. Yes.

20 Q. Have you seen it?

21 A. Yes.

22 Q. Okay. And did you do the work or
23 supervise the work necessary to prepare the two
24

1 spreadsheets that are at the back of this agreement?

2 A. Yes.

3 Q. Okay. And the first spreadsheet, A-1,
4 deals with the disbursement to Martha Stilwell, correct?

5 A. Yes.

6 Q. Okay. And explain to the Board what the
7 escrow agent should do in that regard?

8 A. In order for Ms. Stilwell to get the
9 proper payment, she should receive 1.7612% of the balance
10 as of the date that she sold the property. So, that
11 would in turn be \$13,963.38. That same amount should be
12 paid to Hurt McGuire. We had to recreate the...as if
13 nothing had ever been disbursed from the account and show
14 what her payment would have been at the time she sold the
15 property.

16 Q. Okay. So, there would be a disbursement
17 of an amount ascertain by the escrow agent to both
18 Stilwell and Hurt McGuire to account for moneys escrowed
19 on and before September the 30th, '07, correct?

20 A. Yes.

21 Q. So, this is a situation where it's a
22 number that's being disbursed, a dollar figure, as
23 opposed to a percentage?

24

--

1 A. Exactly.

2 Q. Okay. And then when we get to the second
3 spreadsheet what happens there? What should the
4 instructions in the order to the escrow agent be?

5 A. Okay. The payment from Ms. Stilwell has
6 to come out first and then after that, the
7 remaining...then 4.1345% should be paid each to Hurt
8 McGuire and the trustees of the Tabernacle Church based
9 on the balance after the disbursement.

10 Q. Okay. And I think you say that in your
11 spreadsheet if I'm not mistaken. Let me look back here.

12 BUTCH LAMBERT: She does.

13 A. Yes.

14 Q. Okay. So, the payment to Wilderness
15 Tabernacle should be calculated using that percentage
16 that you just mentioned, you subtract the disbursement
17 that was made to Stilwell and whatever is left goes out
18 to them?

19 A. Yes.

20 Q. But it starts with a percentage
21 calculation to square up that tract?

22 A. Yes.

23 Q. Okay.

24

--

1 A. And then Hurt McGuire will be paid an
2 amount equal to Wilderness Tabernacle and Martha Stilwell
3 as a combined dollar amount.

4 Q. Correct. And also are you asking that if
5 this is approved and the escrow agent makes the
6 disbursements as indicated that on a going forward basis
7 you're asking permission to pay the church and Hurt
8 McGuire directly rather than escrowing their funds?

9 A. Yes.

10 MARK SWARTZ: Okay. That's all I have.

11 BUTCH LAMBERT: Questions from the Board?

12 MARY QUILLEN: Just to clarify, Hurt McGuire
13 will get a payout that will be total to what was to
14 Wilderness Tabernacle Church and Martha Stilwell? Is
15 that---?

16 ANITA DUTY: Yes.

17 MARY QUILLEN: Oh.

18 BUTCH LAMBERT: Any further questions from the
19 Board?

20 (No audible response.)

21 BUTCH LAMBERT: Anything further, Mr. Swartz?

22 MARK SWARTZ: No.

23 BUTCH LAMBERT: Do I have a motion?

24

--

1 MARY QUILLEN: Motion to approve.

2 BRUCE PRATHER: Second.

3 BUTCH LAMBERT: I have a motion and a second.

4 Any further discussion?

5 (No audible response.)

6 BUTCH LAMBERT: All those in favor, signify by

7 saying yes.

8 (All members signify by saying yes, but Katie

9 Dye.)

10 BUTCH LAMBERT: Opposed, no.

11 KATIE DYE: I abstain.

12 BUTCH LAMBERT: One abstention, Mrs. Dye. Thank

13 you, Mr. Swartz. That's approved.

14 MARK SWARTZ: Okay. Then if you could...Mr.

15 Chairman, if you could call five, six and seven maybe

16 together since these folks are all here on those. Do you

17 have a problem with that, Pete?

18 PETER GLUBIAK: I heard you're going to do five,

19 six and seven because they're all on that.

20 MARK SWARTZ: Right.

21 PETER GLUBIAK: Right. That's fine.

22 MARK SWARTZ: That's what I'm saying.

23 (Inaudible.)

24

1 PETER GLUBIAK: Yes.

2 MARK SWARTZ: Is that okay?

3 PETER GLUBIAK: Right.

4 MARK SWARTZ: Okay.

5 PETER GLUBIAK: Five, six and eight.

6 MARK SWARTZ: Okay.

7 PETER GLUBIAK: That's fine.

8 MARK SWARTZ: Do you want to---?

9 PETER GLUBIAK: Do five, six and eight...why

10 don't you do five, six, seven and eight?

11 MARK SWARTZ: Yeah. Let's do that. If you

12 don't mind.

13 BUTCH LAMBERT: Okay.

14 MARK SWARTZ: Well, we'll kind of make one trip

15 here.

16 PETER GLUBIAK: Just moving us along here.

17 BUTCH LAMBERT: Okay. And then we'll separate

18 the parties in between.

19 MARK SWARTZ: Yeah. There's quite an overlap.

20 So, we should be okay.

21 BUTCH LAMBERT: Okay. Calling item number five

22 on the docket. It's a petition from CNX Gas Company, LLC

23 requesting disbursement of funds from coalbed methane

24

1 unit SLW9, Tract 68, 68A, 68B, 68C and 69, docket number
2 VGOB-92-0421-0217-03. Also, calling docket item, excuse
3 me, number six, a petition from CNX Gas Company, LLC for
4 disbursement of funds from coalbed methane gas unit SLW8,
5 Tracts 49, 50 and 51, docket number VGOB-92-0421-0216-03.
6 Calling docket item number seven, a petition from CNX
7 Gas Company, LLC for disbursement of funds from coalbed
8 methane gas unit SLW-7, Tract 31, docket number VGOB-92-
9 0218-0185-04. Also, calling docket item number eight, a
10 petition from CNX Gas Company, LLC for disbursement of
11 funds from coalbed methane gas unit SLW6, Tract 21,
12 docket number VGOB-92-0218-0184-03. All parties wishing
13 to testify, please come forward.

14 MARK SWARTZ: Mark Swartz and Anita Duty.

15 DOLORES ESTEP: Dolores Estep. Daddy, they want
16 your name.

17 RALPH KEEN: Ralph Keen.

18 JAY C. LAMBERT: Jay C. Lambert.

19 DONNA WOODS: Donna Woods.

20 PETER GLUBIAK: Peter Glubiak for Sara Cathleen
21 Wade.

22 BUTCH LAMBERT: You may proceed, Mr. Swartz.

23 MARK SWARTZ: Okay.

24

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1

2

ANITA DUTY

3 having been duly sworn, was examined and testified as
4 follows:

5

DIRECT EXAMINATION

6 QUESTIONS BY MR. SWARTZ:

7

Q. Anita, with regard to these four docket
8 items, have you prepared an Exhibit A for each of the
9 items?

10

A. Yes.

11

Q. Okay. And have you used a balance as of
12 the date stated that was provided to you by the DGO?

13

A. Yes.

14

Q. Okay. And then have you used your own
15 payment records to assess whether or not that balance
16 appears to have caught your payments?

17

A. Yes.

18

Q. Okay. With regard to docket item number
19 five, it looks like we have a combination of reasons for
20 the petition. We've got a final Court order that affects
21 Sara Cathleen Wade, correct?

22

A. Yes.

23

Q. And then we have some split agreements

24

--

1 that affect other people?

2 A. Yes.

3 Q. And even if the Board were to approve all
4 of the escrow....or the disbursement request on docket
5 item five, the escrow account would, I think, remain in
6 place after these disbursements, is that correct?

7 A. It would.

8 Q. Okay. And does Exhibit A accurately
9 describe the disbursements that you're proposing on the
10 one had to Sara Wade as a result of the Court order and
11 on the other hand as a result of split agreements?

12 A. Yes.

13 Q. Have you...are these all 50/50 split
14 agreements?

15 A. They are.

16 Q. Have you seen them?

17 A. I have.

18 Q. Okay. And also in that regard, are you
19 requesting that in the event the Board approves in whole
20 or in part these disbursement requests that you be
21 allowed to pay people who receive disbursements directly
22 in the future?

23 A. Yes.

24

--

1 MARK SWARTZ: Okay. That's all I have.

2 BUTCH LAMBERT: Questions from the Board?

3 (No audible response.)

4 BUTCH LAMBERT: Mr. Glubiak.

5 PETER GLUBIAK: Mr. Chairman, again, as Mr.

6 Swartz indicated, it's a little bit of mixed bag, but

7 items...I think docket items five, six and eight with

8 regard to this particular item, we have no objection to

9 the schedule A that has been provided by Ms. Duty

10 assuming the numbers have been checked and calculated.

11 So, we ask that the Board order disbursements with regard

12 to SLW9 Tract 69, SLW8 Tracts 50 and 51, SLW6 Tract 21.

13 We confer with Mr. Swartz and Ms. Duty and ask the Board

14 to approve that disbursement.

15 MARY QUILLEN: Those are all the Sara Wade

16 disbursements?

17 PETER GLUBIAK: I'm sorry?

18 MARY QUILLEN: Those are all the Sara Wade---.

19 PETER GLUBIAK: Those are the Wade...those are

20 the four different tracts and the four disbursements for

21 Wade. I understand Mr. Keen and his daughter and the

22 Lamberts have an objection to their split agreements.

23 But insofar---.

24

--

1 MARY QUILLEN: Right.

2 PETER GLUBIAK: ---as Ms. Wade is concerned, as
3 Mr. Swartz indicated these disbursements are being made
4 pursuant to a Court order of the Buchanan Circuit Court.

5 BUTCH LAMBERT: Okay. Thank you, Mr. Glubiak.
6 Mr. Keen, again, are...for the petition, item number
7 five, where you are again listed as one of the owners,
8 you're again here to object to that disbursement based
9 upon not remembering signing the split agreement?

10 RALPH KEEN: Yes, sir.

11 BUTCH LAMBERT: Okay.

12 BRUCE PRATHER: Mr. Chairman.

13 BUTCH LAMBERT: Mr. Prather.

14 BRUCE PRATHER: I assume that all of Mr. Keen's
15 split agreements would reflect off of this. In other
16 words, this is kind of a blanket deal. I think it would
17 cover everything that Mr. Keen asked, if it's legal.

18 BUTCH LAMBERT: Yeah, I don't know if we have
19 anyway of knowing what areas it covers unless it does
20 cover all. I guess that's what Mr. Keen is going to
21 work---.

22 BRUCE PRATHER: Yeah.

23 BUTCH LAMBERT: ---with Coal Mountain to
24

1 produce.

2 MARY QUILLEN: Well, it says...it states on the
3 very beginning of the document that it's the...it covers
4 all of those properties.

5 BUTCH LAMBERT: Okay.

6 MARY QUILLEN: The coalbed methane and the
7 coalbed gas in Buchanan and Russell County. In certain
8 areas of Buchanan and Russell County.

9 BUTCH LAMBERT: Mr. Swartz, we just discussed
10 petition number five. How about six and---?

11 MARK SWARTZ: Well, let's stay with five and
12 then we can move to six. Where we think we are on five
13 is Sara Wade's counsel is good with five. Mr. Ralph Keen
14 and Anna Lambert pieces of the request that we've made
15 for disbursement from five they're objecting to and I'm
16 anticipating that we might just...we might wound up with
17 a motion that approves the disbursement minus those two
18 little pieces.

19

20 ANITA DUTY

21 DIRECT EXAMINATION RESUMES

22 QUESTIONS BY MR. SWARTZ:

23 Q. Anita, before we move off of number five.

24

--

1 Is this a situation where the escrow agent should use
2 the percentage that you've listed for each party to
3 calculate the disbursement?

4 A. Yes.

5 Q. Okay. And so we don't have some dollar
6 figure issue here like we did on the last one?

7 A. That's correct.

8 Q. Okay. So, for example, if there is a
9 disbursement to Coal Mountain and we hold back the Ralph
10 Keen and Anna Lambert money you would simply reduce the
11 Coal Mountain disbursement by a percentage equal to that
12 and then make the Coal Mountain disbursement, correct?

13 A. Yes.

14 Q. And then with regard to Keen...Arnold
15 Keen or Hale and so forth those numbers would...you would
16 just use those as they're reported?

17 A. That's correct.

18 Q. Okay. So, if the Board chooses to
19 extract those, that's how it would work. Otherwise, they
20 would just change the exhibit.

21 A. That's correct.

22 MARK SWARTZ: Okay. That's all I have on five
23 then.

24

--

1 BUTCH LAMBERT: Okay. Do I have a motion on
2 number five...on petition number five?
3 MARY QUILLEN: Motion to approve disbursements
4 with the exception of Ralph Keen and Anna Lambert
5 holdings.
6 BUTCH LAMBERT: Okay. Do I have a second?
7 BILL HARRIS: Second.
8 BUTCH LAMBERT: Any further discussion?
9 (No audible response.)
10 BUTCH LAMBERT: All those in favor, signify by
11 saying yes.
12 (All members signify by saying yes, but Katie
13 Dye.)
14 BUTCH LAMBERT: Opposed, no.
15 KATIE DYE: I'll abstain.
16 BUTCH LAMBERT: One abstention Mrs. Dye.
17 SHARON PIGEON: I have a question about what you
18 just voted on. Are saying that you're going to disburse
19 partial tracts? I mean, there are...that's what their
20 dispute is about. That there should be no disbursement
21 from those tracts because they are disputing that there
22 is a split agreement. So, that would mean that you're
23 not disbursing to Coal Mountain as Mr. Swartz-.

24

--

1 MARK SWARTZ: Well, we're disbursing to Coal
2 Mountain minus 8% basically. I mean, there's...because
3 Coal Mountain is adverse to Ralph Keen and it's 4.0% of
4 the tract, you would subtract 4.0811 from the 20.4054 to
5 keep that money. Then you would subtract that same
6 percentage again from...so, you would be disbursing
7 roughly 12% to Coal Mountain instead of 20% to keep that
8 money in escrow.

9 SHARON PIGEON: What their dispute about is the
10 money going to Coal Mountain?

11 MARK SWARTZ: It's not.

12 SHARON PIGEON: Then I mis---.

13 MARK SWARTZ: What I've just...what I've just
14 explained is to the extent that Mr. Ralph Keen and Coal
15 Mountain are adverse that money is staying escrow. It's
16 4.0---.

17 SHARON PIGEON: All of that?

18 BILL HARRIS: A 100% of that---?

19 MARK SWARTZ: Of that 4...both sides of the
20 4.0811 because we're subtracting it from Coal Mountain's
21 share. So, Coal Mountain is going to have roughly 12% of
22 the 20% that we started with because that money has
23 to...both sides of that money have to stay in...I mean, I

24

--

1 don't how else to...I mean, that's---.

2 MARY QUILLEN: Do I need to amend my motion to
3 state that the disbursement to Coal Mountain will include
4 only those percentages of those people Arnold Keen, Billy
5 Ray Hale, Linda Hale, Brenda Waddell and Carl Hale?

6 MARK SWARTZ: I didn't think so. You know, the
7 way I proposed to the Board was we would subtract those
8 two percentages from the Coal Mountain percentage and you
9 get to the right result and I think that's what your
10 motion was.

11 MARY QUILLEN: Right.

12 MARK SWARTZ: But---.

13 BUTCH LAMBERT: Unless Counsel has further
14 questions, I think I understand it.

15 SHARON PIGEON: Well, I didn't, but that's fine.
16 If you all, that's...it's in the record how the motion
17 is to be interpreted.

18 MARK SWARTZ: Right. I mean, I think you got it
19 right. So---.

20 BILL HARRIS: That was for five?

21 BUTCH LAMBERT: That was five, yes. Uh-huh.
22 Now, item six, which we've already called.

23

24

--

1 ANITA DUTY

2 having been duly sworn, was examined and testified as
3 follows:

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6 Q. Item six then...Anita, on item six we
7 again have a final order affecting Cathleen Wade that Mr.
8 Glubiak has already indicated he's okay with that, okay.

9 A. Uh-huh. Yes.

10 Q. So, then we are again looking at Mr.
11 Ralph Keen and Anna Lambert. I'm assuming we have the
12 same objection, okay.

13 A. Okay.

14 Q. So, to make this work...well, let me
15 actually show this to you, are the...are Mr. Ralph Keen
16 and Anna Lambert the only people on this list who are
17 now?

18 A. Right.

19 Q. Okay. And to make this work then, Anita,
20 would we deduct from the Coal Mountain disbursement from
21 the 15.3953% in an amount equal to the Ralph Keen
22 percentage and an amount equal to the Anna Lambert, which
23 will bring it down by roughly 6%. So, from 15 to 9 keep
24

--

1 both sides of the transaction in escrow?

2 A. That's correct.

3 Q. And, again, with regard to this unit, did
4 you receive documentation from the DGO with regard to the
5 balance as of the date stated?

6 A. Yes.

7 Q. Okay. And you used that to make your
8 calculations?

9 A. Yes, I did.

10 Q. And in this instance, the escrow agent
11 should receive instructions to disburse percentages and
12 not dollars?

13 A. That's correct.

14 Q. And adjusted as we've just indicated?

15 A. Yes.

16 Q. And lastly, I mean, I think it's obvious,
17 but just to cover this, the escrow account will remain in
18 existence after the disbursement?

19 A. Yes.

20 Q. And...but with regard to people who have
21 received disbursement, with regard to the interest
22 disbursed or subjected to the disbursement are you asking
23 for the ability to pay them directly in the future?

24

1 A. Yes.

2 MARK SWARTZ: Okay.

3 BUTCH LAMBERT: Questions from the Board?

4 (No audible response.)

5 BUTCH LAMBERT: Do I have a motion?

6 MARY QUILLEN: Motion to approve disbursement of

7 funds to Arnold Keen, Billy Ray Hale, Linda Hale Matney,

8 Brenda Waddell and Carl Lee Hale at the percentage shown

9 and to Coal Mountain Mining less the 6.1582%, which is

10 from the Keen/Lambert that the objection is to.

11 BUTCH LAMBERT: I think you also need to add the

12 Sara Wade.

13 MARY QUILLEN: Oh. I'm sorry. And the Sara

14 Wade in Tracts 50 and 51 as Court ordered.

15 MARK SWARTZ: And I think you neglected to name

16 Elizabeth Anne Justus.

17 MARY QUILLEN: Anne McCowan.

18 MARK SWARTZ: And you forgot Anne McCowan.

19 Okay, we're good. We're good. Okay.

20 BILL HARRIS: Second.

21 BUTCH LAMBERT: I have a motion and a second.

22 Any further discussion?

23 (No audible response.)

24

1 Keen is going to object to this and Anna Lambert is going
2 to object. Let me show my assistant here the list, okay.
3 Is...are Ralph and Anna Lambert the only folks on this
4 list that are here today?

5 DOLORES ESTEP: Correct.

6 MARK SWARTZ: Okay.

7 BUTCH LAMBERT: And just for the record, Mr.
8 Keen, this one also you are objecting to disbursement?

9 RALPH KEEN: Right.

10 BUTCH LAMBERT: Okay.

11 Q. Anita, with regard to Exhibit A here, is
12 the dollar amount that you're something that you've
13 received from the DGO?

14 A. Yes.

15 Q. As of the date stated?

16 A. Yes.

17 Q. Okay. And you use that amount in making
18 your percentage calculations, correct?

19 A. Yes.

20 Q. Okay. And here we're talking only about
21 split agreements. Have you actually seen them?

22 A. Yes.

23 Q. Are they all 50/50 agreements?

24

--

1 A. Yes.

2 Q. And they're all in writing?

3 A. They are.

4 Q. If...if the Board were to approve the

5 disbursement, but not disburse to Ralph Keen and Anna R.

6 Lambert would they...would the escrow agent be required

7 to deduct Ralph Keen's .051% interest from the .5253% of

8 Coal Mountain to hold that money completely in escrow?

9 A. Yes.

10 Q. And would the Board...would the escrow

11 agent be required to do the same with regard to Anna

12 Lambert to make sure that both sides of that transaction

13 were held in escrow as well?

14 A. Yes.

15 Q. But subjected to those two deductions

16 from the Coal Mountain Mining percentage, the escrow

17 agent could use all of the other percentages?

18 A. That's correct.

19 Q. At the time of disbursement?

20 A. Yes.

21 Q. And with regard to folks receiving money

22 and to the extent that they do receive these

23 disbursements, are you asking for an ability to pay them

24

1 directly?

2 A. Yes.

3 MARK SWARTZ: That's all I have.

4 BUTCH LAMBERT: Questions from the Board?

5 (No audible response.)

6 BUTCH LAMBERT: Anything further, Mr. Swartz?

7 MARK SWARTZ: No.

8 BUTCH LAMBERT: Do I have a motion?

9 MARY QUILLEN: Motion to approve disbursements

10 to Arnold Keen, Billy Ray Hale, Linda Hale Matney, Brenda

11 Waddell, Carl Lee Hale, Anna...well, I guess, her name is

12 now Elizabeth Anne Justus previously Anne McCowan and

13 to...at the percentage shown on the spreadsheet and to

14 Coal Mountain Mining less 0.2102%, which is attributed to

15 the Ralph Keen and Anna Lambert accounts.

16 BILL HARRIS: Second.

17 BUTCH LAMBERT: I have a motion and a second.

18 Any further discussion?

19 (No audible response.)

20 BUTCH LAMBERT: All those in favor, signify by

21 saying yes.

22 (All members signify by saying yes, but Katie

23 Dye.)

24

--

1 BUTCH LAMBERT: Opposed, no.

2 KATIE DYE: I'll abstain.

3 BUTCH LAMBERT: One abstention, Mrs. Dye. Mr.
4 Swartz, it's approved. We'll move on to item number
5 eight, which has already been called.

6

7 ANITA DUTY

8 having been duly sworn, was examined and testified as
9 follows:

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SWARTZ:

12 Q. And I think number eight is mercifully
13 easy because we have, Anita. This is a final order only?

14 A. Yes.

15 Q. And Sara Wade gets a 100% of the money
16 and you've expressed the percentage in your Exhibit A
17 that the escrow agent needs to use to make that
18 disbursement?

19 A. Yes.

20 Q. Mr. Glubiak has signed off on the math as
21 far as he knows today, correct?

22 A. Yes.

23 Q. And, obviously, there's more money in the
24

--

1 account than is being disbursed. So, the account would
2 need to remain?

3 A. Yes.

4 Q. The balance that you're using for the
5 date stated came from the DGO?

6 A. Yes.

7 Q. And are also requesting that after the
8 disbursement, you'd be allowed...the operator be
9 permitted to pay Sara Wade directly?

10 A. Yes.

11 MARK SWARTZ: That's all I have.

12 BUTCH LAMBERT: Questions from the Board?

13 (No audible response.)

14 BUTCH LAMBERT: Anything, Mr. Glubiak?

15 PETER GLUBIAK: Peter Glubiak on behalf of Ms.
16 Wade. We concur.

17 BUTCH LAMBERT: Okay. Anything further, Mr.
18 Swartz?

19 MARK SWARTZ: No.

20 BUTCH LAMBERT: Do I have a motion?

21 MARY QUILLEN: Motion to approve disbursement to
22 Sara Wade as Court ordered.

23 BUTCH LAMBERT: Do I have a second?

24

--

1 BRUCE PRATHER: Second.

2 BUTCH LAMBERT: I have a motion and a second.

3 Any further discussion?

4 (No audible response.)

5 BUTCH LAMBERT: All those in favor, signify by

6 saying yes.

7 (All members signify by saying yes, but Katie

8 Dye.)

9 BUTCH LAMBERT: Opposed, no.

10 KATIE DYE: I'll abstain.

11 BUTCH LAMBERT: One abstention, Mrs. Dye.

12 DOLORES ESTEP: May I ask one question?

13 BUTCH LAMBERT: Yes, ma'am.

14 DOLORES ESTEP: A lot of people that weren't

15 here today, is there anyway if we have a signed paper

16 from them that we can talk for them the next time?

17 SHARON PIGEON: No.

18 DOLORES ESTEP: There's not?

19 BUTCH LAMBERT: No.

20 DOLORES ESTEP: All right.

21 BUTCH LAMBERT: Thank you, folks. We appreciate

22 your time.

23 JAY C. LAMBERT: I've got too for Mr. Asbury.

24

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1 Q. And who do you work for?

2 A. CNX Land Resources.

3 Q. And what do you do for them that pertains

4 to this docket item?

5 A. I prepare the disbursement petition and

6 make sure the accounts are in order.

7 Q. Okay. This is a disbursement petition

8 with regard to unit V-12, is that correct?

9 A. Yes.

10 Q. And it's to disburse funds on hand in

11 escrow...or in escrow pertaining to Tract 1?

12 A. Yes.

13 Q. And if the disbursement is approved,

14 there will be no need to have an escrow account going

15 forward, correct?

16 A. That's correct.

17 Q. And also we're asking that the pooling

18 orders be dismissed as well because the unit is a 100%

19 leased?

20 A. Yes.

21 Q. Okay. With that in mind, have you done a

22 spreadsheet detailing what needs to happen in your

23 judgment with regard tot he disbursement?

24

1 A. I have.

2 Q. Okay. And is this a disbursement based
3 on an agreement or an order?

4 A. An agreement.

5 Q. Okay. Is it a written agreement?

6 A. Yes.

7 Q. Have you seen it?

8 A. I have.

9 Q. And is it in general a 50/50 agreement?

10 A. It is actually a deed of 50%, the claim
11 to the CBM.

12 Q. Okay. So, it's a deed that makes a 50/50
13 agreement?

14 A. It is.

15 Q. Okay. Did you obtain an amount on
16 deposit from the DGO?

17 A. I did.

18 Q. And as of the date stated is that the
19 amount you've reported on Exhibit A-1?

20 A. Yes.

21 Q. Okay. Have you then done some percentage
22 calculations with regard to the oil and gas site?

23 A. Yes.

24

1 Q. And what's the explanation for the two
2 disbursements as opposed to one?

3 A. It's actually a trust that is owned by
4 the Morgan Living Trust is five-sixth and the Namen
5 Morgan Trust is a one-sixth interest.

6 Q. Okay. So, if this disbursement request
7 is approved the escrow agent should pay 50% of the amount
8 on deposit at the time the checks go out to Harrison-
9 Wyatt, LLC, correct?

10 A. Yes.

11 Q. And then two percentages which total the
12 other 50% to the Morgan Living Trust and Namen J. Morgan
13 Trust, is that correct?

14 A. Yes.

15 Q. And then that would zero out the account?

16 A. It would.

17 Q. And then...and then the order would be
18 dismissed so you could pay these folks directly in the
19 future?

20 A. Yes.

21 MARK SWARTZ: That's all I have.

22 BUTCH LAMBERT: Any questions from the Board?

23 KATIE DYE: Mr. Chairman, I have a---.

24

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1 BUTCH LAMBERT: Mrs. Dye.

2 KATIE DYE: ---for Mr. Asbury. Since these
3 accounts were reconciled like on 9/30/10 has there been
4 audit fees taken out since then?

5 DAVID ASBURY: It's likely that there has been,
6 yes.

7 KATIE DYE: So...so, this balance would be
8 different going out unless there has been more moneys
9 coming in?

10 DAVID ASBURY: The balance is dynamic. There
11 are funds coming in both from payments by operators,
12 interest come and cost of audits going out in escrow
13 fees. So, that is only an estimate. When we prepare the
14 disbursement order we only reflect the percentage at that
15 time and then the escrow agent disburse based on its most
16 recent and last market value of the escrow.

17 KATIE DYE: Thank you. That explains it.

18 MARK SWARTZ: Well, sort of. Anita?

19 ANITA DUTY: Well, we tried to put over here in
20 the upper lefthand corner that another reason for the
21 vacate is if the payments for this particular interest is
22 the payment of the V-8, SGU3 account. So, this...this is
23 just really one of the underlying units that we're trying
24

1 to paying out.

2 KATIE DYE: Thank you.

3 ANITA DUTY: There won't be any deposits in
4 this.

5 BUTCH LAMBERT: Any other questions from the
6 Board?

7 (No audible response.)

8 BUTCH LAMBERT: Do I have a motion?

9 MARY QUILLEN: Motion to approve.

10 BRUCE PRATHER: Second.

11 BUTCH LAMBERT: I have a motion and a second.
12 Any further discussion?

13 (No audible response.)

14 BUTCH LAMBERT: All those in favor, signify by
15 saying yes.

16 (All members signify by saying yes, but Katie
17 Dye.)

18 BUTCH LAMBERT: Opposed, no.

19 KATIE DYE: I'll abstain.

20 BUTCH LAMBERT: One abstention Mrs. Dye.

21 Calling docket item number ten, a petition from CNX Gas
22 Company, LLC for disbursement of funds from coalbed
23 methane gas unit W-10, Tracts 1, 2, 4 and 7, docket
24

1 number VGOB-91-0430-0109-02. All parties wishing to
2 testify, please come forward.

3 MARK SWARTZ: Mark Swartz and Anita Duty.

4 BUTCH LAMBERT: You may proceed, Mr. Swartz.

5 MARK SWARTZ: Thank you.

6

7 ANITA DUTY

8 having been duly sworn, was examined and testified as
9 follows:

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SWARTZ:

12 Q. Anita, state your name for us, please.

13 A. Anita Duty.

14 Q. Who do you work for?

15 A. CNX Land Resources.

16 Q. And what do you do for them pertaining to
17 this application?

18 A. Prepare the petition and make sure the
19 accounts are in order.

20 Q. Okay. Is this a partial disbursement and
21 will the escrow account need to be maintained after it
22 occurs?

23 A. It is partial and yes it will.

24

--

1 Q. Okay. This pertains to W10, correct?
2 A. Yes.
3 Q. And Tracts 1, 2, 4 and 7, is that
4 correct?
5 A. That is correct.
6 Q. Is the reason for the disbursement a
7 royalty split agreement as opposed to an order?
8 A. Yes.
9 Q. And is that split agreement in writing?
10 A. It is.
11 Q. Have you seen it?
12 A. Yes.
13 Q. Is it a 50/50 agreement?
14 A. Yes.
15 Q. Did you obtain an account balance from
16 the DGO with regard to this escrow account?
17 A. I did.
18 Q. And is that reported as of the date
19 stated on Exhibit A-1?
20 A. Yes.
21 Q. And did...and have you also reported on
22 Exhibit A-1 the percentages that the escrow agent should
23 use for the four tracts and the people receiving the
24

1 disbursements should use when the disbursements are made?

2 A. Yes.

3 Q. And these percentages should be applied

4 by the escrow agent to the balance on deposit at the time

5 the disbursement is made?

6 A. Yes.

7 Q. And with regard to Tract 1, what

8 percentage should Harrison-Wyatt, LLC receive?

9 A. 40.2170%.

10 Q. And then the other 50%...or the other 40%

11 and change should go to the Morgan Living Trust in what

12 percentage?

13 A. 33.5142%.

14 Q. And the Namen J. Morgan Trust?

15 A. 6.7028%.

16 Q. Okay. And with regard to Tract 2, what

17 are the percentages that the escrow agent should use?

18 A. Harrison-Wyatt, LLC 3.0235%, Morgan

19 Living Trust 2.5196% and the Namen J. Morgan Trust

20 0.5039%.

21 Q. With regard to Tract 4?

22 A. Harrison-Wyatt 6.6021% and CNX Gas

23 Company 6.6021%.

24

--

1 Q. And lastly Tract 7?

2 A. Harrison-Wyatt 0.0166% and Rachel Cook
3 0.0166% also.

4 Q. And if these disbursements are approved
5 and made, are you requesting that the operator be allowed
6 to pay these folks with regard to the interest described
7 on Exhibit A-1 directly rather than escrowing money for
8 them in the future?

9 A. Yes.

10 MARK SWARTZ: That's all I have.

11 BUTCH LAMBERT: Any questions from the Board?
12 (No audible response.)

13 BUTCH LAMBERT: Do I have a motion?

14 MARY QUILLEN: Motion to approve.

15 BRUCE PRATHER: Second.

16 BUTCH LAMBERT: I have a motion and a second.
17 Any further discussion?

18 (No audible response.)

19 BUTCH LAMBERT: All those in favor, signify by
20 saying yes.

21 (All members signify by saying yes, but Katie
22 Dye.)

23 BUTCH LAMBERT: Opposed, no.

24

1 KATIE DYE: I'll abstain.

2 BUTCH LAMBERT: One abstention Mrs. Dye. Thank
3 you, Mr. Swartz. It's approved.

4 MARK SWARTZ: Thank you.

5 BUTCH LAMBERT: Item eleven on the docket is a
6 petition from CNX Gas Company, LLC for disbursement of
7 funds and to vacate an order for coalbed methane gas unit
8 U-12, Tracts 2 and 4, docket number VGOB-91-0430-0107-01.
9 All parties wishing to testify, please come forward.

10 MARK SWARTZ: Mark Swartz and Anita Duty.

11 BUTCH LAMBERT: You may proceed, Mr. Swartz.

12 MARK SWARTZ: Thank you.

13

14 ANITA DUTY

15 having been duly sworn, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. SWARTZ:

19 Q. Anita, state your name for us, again.

20 A. Anita Duty.

21 Q. Who do you work for?

22 A. CNX Land Resources.

23 Q. And what do your...what duties, if any,

24

--

1 do you have with regard to this miscellaneous petition?

2 A. To prepare the petition and make sure the
3 accounts are in order.

4 Q. Okay. Will...if granted, will this
5 petition close the escrow account?

6 A. Yes.

7 Q. And will this petition, if granted, also
8 in closing the escrow account allow the Board to dismiss
9 the pooling order because it's a 100% leased at this
10 juncture?

11 A. It will.

12 Q. Okay. This application pertains to unit
13 U-12?

14 A. Yes.

15 Q. Tracts 2 and 4 in that unit?

16 A. Yes.

17 Q. And have you prepared an Exhibit A-1 with
18 regard to that?

19 A. I have.

20 Q. Did you use a balance obtained from the
21 DGO that's reported on Exhibit A-1 as of the date stated?

22 A. Yes.

23 Q. Okay. Have you described the percentages
24

1 that the escrow agent should use at the time the
2 disbursement is made to close out these two tracks?

3 A. I have.

4 Q. Okay. With regard to Tract 2, what
5 percentages?

6 A. Harrison-Wyatt, LLC 24.1146% and the same
7 two Garden Realty Corporation.

8 Q. With regard to Tract 4?

9 A. Harrison-Wyatt 25.8854%, the Morgan
10 Living Trust 21.5712% and then the Namen J. Morgan Trust
11 4.3142%.

12 Q. And after those disbursements are made,
13 you're requesting the order be dismissed?

14 A. Yes.

15 MARK SWARTZ: That's all I have.

16 BUTCH LAMBERT: Questions from the Board?

17 (No audible response.)

18 BUTCH LAMBERT: Do I have a motion?

19 MARY QUILLEN: Motion to approve.

20 BRUCE PRATHER: Second.

21 BUTCH LAMBERT: I have a motion and a second.

22 Any further discussion?

23 (No audible response.)

24

--

1 BUTCH LAMBERT: All those in favor, signify by
2 saying yes.

3 (All members signify by saying yes, but Katie
4 Dye.)

5 BUTCH LAMBERT: Opposed, no.

6 KATIE DYE: I'll abstain.

7 BUTCH LAMBERT: One abstention Mrs. Dye. Item
8 number twelve is a petition from CNX Gas Company, LLC for
9 disbursement of funds and to vacate order from coalbed
10 methane unit...gas unit X-11, Tracts 3A, 3B and 3C,
11 docket number VGOB-90-0906-0017-01. All parties wishing
12 to testify, please come forward.

13 MARK SWARTZ: Mark Swartz and Anita Duty.

14 BUTCH LAMBERT: You may proceed, Mr. Swartz.

15

16 ANITA DUTY

17 having been duly sworn, was examined and testified as
18 follows:

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SWARTZ:

21 Q. Anita, could you state your name for us,
22 again?

23 A. Anita Duty.

24

--

1 Q. Who do you work?
2 A. CNX Land Resources.
3 Q. And what do you for them that pertains to
4 this miscellaneous petition?
5 A. I prepare the petition and make sure the
6 accounts are in order.
7 Q. With regard to this application, it
8 pertains to unit X-11, right?
9 A. Yes.
10 Q. And three tracts identified as 3A, 3B and
11 3C?
12 A. Yes.
13 Q. And if the disbursement is approved by
14 the Board, what it zero out the escrow account balance?
15 A. It will.
16 Q. And after that occurs is the unit a 100%
17 leased and could the order be dismissed?
18 A. Yes.
19 Q. Okay. Have you prepared a disbursement
20 Exhibit A-1?
21 A. Yes.
22 Q. When you did that, did you use a balance
23 that you were provided by the DGO?
24

1 A. Yes.

2 Q. And as of the date stated?

3 A. Yes.

4 Q. And is this another instance where the
5 escrow agent should use percentages?

6 A. Yes.

7 Q. Okay. With regard to Tract 3A, what
8 percentages for each of the parties receiving a
9 disbursement should the Board use?

10 A. For Harrison-Wyatt, it's 41.0704%. For
11 Dorlis Cook 20.5352% and Aaron Dorlis Cook 20.5352%.

12 Q. Tract 3B?

13 A. For Harrison-Wyatt 4.7042%, Morgan Living
14 Trust 3.9202% and the Namen Morgan Trust 0.7840%.

15 Q. And lastly, Tract 3C?

16 A. Harrison-Wyatt 4.2254% and Rachel Cook
17 4.2254%.

18 Q. And, again, after those disbursements are
19 made are you requesting that the order be vacated or
20 dismissed?

21 A. Yes.

22 MARK SWARTZ: That's all I have.

23 BUTCH LAMBERT: Questions from the Board?

24

1 (No audible response.)

2 BUTCH LAMBERT: Do I have a motion?

3 MARY QUILLEN: Motion to approve.

4 BRUCE PRATHER: Second.

5 BUTCH LAMBERT: I have a motion and second. Any

6 further discussion?

7 (No audible response.)

8 BUTCH LAMBERT: All those in favor, signify by

9 saying yes.

10 (All members signify by saying yes, but Katie

11 Dye.)

12 BUTCH LAMBERT: Opposed, no.

13 KATIE DYE: I'll abstain.

14 BUTCH LAMBERT: One abstention Mrs. Dye. Thank

15 you, Mr. Swartz. It's approved.

16 MARK SWARTZ: Thank you.

17 BUTCH LAMBERT: Calling item thirteen. It's a

18 petition from CNX Gas Company, LLC for disbursement of

19 funds from coalbed methane gas unit X-10, Tracts 2A, 2D

20 and 2E, docket number VGOB-90-0905-0014-01. All parties

21 wishing to testify, please come forward.

22 MARK SWARTZ: Mark Swartz and Anita Duty.

23 BUTCH LAMBERT: You may proceed, Mr. Swartz.

24

1 MARK SWARTZ: Thank you.

2

3 ANITA DUTY

4 having been duly sworn, was examined and testified as
5 follows:

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. SWARTZ:

8 Q. Anita, this application pertains to X-10,
9 right?

10 A. Yes.

11 Q. And your name again?

12 A. Anita Duty.

13 Q. Who do you work for?

14 A. CNX Land Resources.

15 Q. And what...what do you do in your job
16 that pertains to these miscellaneous petitions?

17 A. Prepare the petition and make sure the
18 accounts are in order.

19 Q. Okay. And this is a disbursement request
20 with regard to three tracts that are identified in the
21 caption, correct?

22 A. Yes.

23 Q. And will the escrow account remain and be
24

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1 required to remain after these disbursements are made?

2 A. It will.

3 Q. So, these are just partial disbursements?

4 A. Yes.

5 Q. Okay. Are these disbursements based on a

6 royalty split agreement?

7 A. Yes.

8 Q. Is that agreement in writing?

9 A. It is.

10 Q. Have you seen it?

11 A. Yes.

12 Q. Is it a 50/50 agreement?

13 A. Yes.

14 Q. Have you prepared a disbursement Exhibit

15 A-1?

16 A. Yes.

17 Q. The balance that you use...the account

18 balance as of the date stated in that exhibit, was that

19 something you obtained from the DGO?

20 A. Yes.

21 Q. Have you seen stated on Exhibit A-1 the

22 percentages that the escrow agent should apply to the

23 balance on deposit at the time the disbursements are made

24

1 in calculating the amounts?

2 A. Yes.

3 Q. And for Tract 2A, who receives what
4 percentage?

5 A. Harrison-Wyatt, LLC and CNX Gas Company,
6 LLC will both receive 7.9898%.

7 Q. With regard to Tract 2D?

8 A. Harrison-Wyatt, LLC and Rachel Cook
9 should each receive 17.9132%.

10 Q. And lastly, with regard to Tract 2E, who
11 receives the funds and in what percentages?

12 A. Harrison-Wyatt, LLC 3.3017% and Dorlis
13 Cook 1.6509% and Aaron Dorlis Cook 1.6509%.

14 Q. Okay. And are requesting that after
15 these disbursements are made the folks listed on Exhibit
16 A-1 with regard to the tracts identified that you be
17 allowed...that you, as an operator, be allowed to pay
18 them directly rather than escrowing?

19 A. Yes.

20 MARK SWARTZ: That's all I have, Mr. Chairman.

21 BUTCH LAMBERT: Any questions from the Board?

22 (No audible response.)

23 BUTCH LAMBERT: Do I have a motion?

24

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1 MARY QUILLEN: Motion to approve.

2 BRUCE PRATHER: Second.

3 BUTCH LAMBERT: I have a motion and a second.

4 Any further discussion?

5 (No audible response.)

6 BUTCH LAMBERT: All those in favor, signify by

7 saying yes.

8 (All members signify by saying yes, but Katie

9 Dye.)

10 BUTCH LAMBERT: Opposed, no.

11 KATIE DYE: I'll abstain.

12 BUTCH LAMBERT: One abstention Mrs. Dye. Thank

13 you, Mr. Swartz. It's approved.

14 MARK SWARTZ: Thank you.

15 BUTCH LAMBERT: Item fourteen on the docket is

16 the Board on its own motion will receive testimony and

17 reconsider its prior approval of a petition for

18 establishment of unit and pooling horizontal coalbed

19 methane unit CC38, docket number VGOB-10-1019-2825. All

20 parties wishing to testify in this matter, please come

21 forward.

22 MARK SWARTZ: Mark Swartz and possibly Les

23 Arrington.

24

1 BUTCH LAMBERT: Are you just going to wait on
2 him or---?
3 MARK SWARTZ: I'm not sure I need him, but you
4 never know.
5 BUTCH LAMBERT: Oh, okay. Keep him in reserve.
6 I understand this was a docket item that came up back in
7 November.
8 MARY QUILLEN: Yes.
9 BUTCH LAMBERT: And---.
10 MARK SWARTZ: It was approved in November.
11 BUTCH LAMBERT: It was approved in November.
12 Ms. Quillen, I probably need your help on this one---.
13 MARY QUILLEN: Okay.
14 BUTCH LAMBERT: ---since we weren't here.
15 MARY QUILLEN: Uh-huh.
16 BUTCH LAMBERT: Mr. Asbury, would you like
17 to---?
18 DAVID ASBURY: Sure.
19 BUTCH LAMBERT: I think you had a handout for
20 us.
21 DAVID ASBURY: I do.
22 BUTCH LAMBERT: Are all of these the same?
23 DAVID ASBURY: Yes.
24

1 BUTCH LAMBERT: Sorry.

2 DAVID ASBURY: That's okay.

3 BUTCH LAMBERT: You have to tell me...give me
4 instructions.

5 DAVID ASBURY: The issue regarding unitization
6 have been brought before the Board by a number of
7 operators. The idea of utilizing a length of horizontal
8 unit or a length of the drilling unit to pay parties and
9 the acreage was against what the Board had approved on
10 two other occasions by two other gas operators. The
11 exhibit that I've presented just shows that...I'll let
12 Ms. Quillen get hers. The one I'm speaking from is this.
13 This exhibit. On two prior occasions the Board had
14 approved drilling units that had been designed based on
15 other coal field units either 60 acres or 80 acres and
16 the idea that the interior lines remained is different.
17 When a unit is decided upon, the interior lines go away
18 and a unit becomes a unit. Statute then requires us to
19 pay individuals in that unit based on their acreage
20 proportionate share of whatever unit that you approve.
21 That was...as I read it, and it may be...as I read the
22 transcripts, when this unit was approved, the Board
23 considered the length of the lateral in each of the

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1 smaller units as far as its royalty distribution to its
2 owners. So, that...that's the issue in a nutshell.

3 MARY QUILLEN: And that was a mistake that I
4 made. Because this was an unusual one, it just went over
5 my head. What we need to do now is that we have to go
6 back to look at those owners and that unit and not in the
7 individual...as the individual legs, but the total unit,
8 correct?

9 DAVID ASBURY: That's my understanding. Ms.
10 Pigeon?

11 SHARON PIGEON: That is correct.

12 MARK SWARTZ: Well, at some point, I'm going to
13 have an opportunity, I assume, to sort of explain that
14 there are some other options.

15 BUTCH LAMBERT: Okay.

16 MARK SWARTZ: But I want to be sure that Mr.
17 Asbury is done before I do it.

18 DAVID ASBURY: My...my only effort here is to
19 bring to the Board's attention that there were other
20 arguments by other gas operators and for consistency of
21 approval of units and allocation of royalties that once
22 you decide that the unit is correct and the unit can be
23 whatever the gas companies decide with you and that you

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1 approve. When the unit is approved, then the allocation
2 of royalties inside that unit is then by statute and it's
3 based on acreage proportionate share in a unit. Now,
4 there are other issue sometimes and this was brought up
5 by other gas companies. The background of a new
6 horizontal unit can be the original coalfield units, the
7 58 acre or the 80 acre or those individually. Those, the
8 design based on the original plats, probably is helpful
9 to the accounting part or helpful to the permitting folks
10 or the land folks. In prior meetings, it was decided
11 that once the unit was decided upon by the Board no
12 matter what its size, shape or acreage, then all of the
13 folks in the approved unit then would share based on
14 their acreage proportionate share of the unit that was
15 approved by the Board. That's all I have.

16 BUTCH LAMBERT: I think from what I hear is that
17 we need to back up and relook at what was approved and
18 reconsider that approval based upon other petitions we've
19 had before the Board of where we have listened to those
20 arguments but we didn't accept them. We kept a unit---

21 DAVID ASBURY: As a unit.

22 BUTCH LAMBERT: ---as a unit, okay.

23 BRUCE PRATHER: Mr. Chairman, can I make a
24
25

1 statement?

2 BUTCH LAMBERT: Mr. Prather.

3 BRUCE PRATHER: I tell you what my feeling has
4 been on these units and that is that we have statewide
5 units that are already accepted. What we're doing here,
6 we're changing the unit interior...interior of large
7 tracts. Basically, as far as I'm concerned, I don't see
8 any reason to change the units from what we've had
9 previously. All we have to do is give a variance to the
10 operator that he can drill over in the other unit
11 irregardless of what the shape of the thing is. I would
12 prefer doing that than changing the shapes of these
13 units. We can give a variance over into the next unit.
14 That will take care of it. We stay the statewide
15 spacing.

16 BUTCH LAMBERT: Mr. Swartz, would you like to
17 explain what you've handed out?

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19

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21

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23 MARK SWARTZ: Right. But I would like to have a

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1 preference to that. CNX has lessors in these units. The
2 reason that we're kind of quarreling with...with...
3 revisiting the allocation process is there is a pretty
4 dramatic delusion of royalty interest if you allocate the
5 production from these two legs to 320 acres on an equal
6 basis. The spreadsheet that I gave you, I think is the
7 place to start to show what I'm talking about in terms of
8 delusion of royalty interest. If you look...they're
9 basically three methods that I've considered in this
10 spreadsheet and I've used, you know, a ruler and a
11 calculator. So, you know, the numbers are approximately
12 correct, but I wouldn't want to be paying royalty based
13 on them. But this is to illustrate three ways to do it.
14 When this was pooled last fall, we used the four Oakwood
15 units that have...that are already on the grid, but we
16 allocated the production to those four units based on the
17 footage of each of the legs...the production legs in the
18 various units. If you look at... the first one that I've
19 got here is allocation of production by feet of well,
20 you'll see that unit CC-38 would get 6.12%. What Mr.
21 Asbury is suggesting you do is give those folks 25%.
22 That's allocation of production by unit. An alternative
23 method...a third method would be to change the size of

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1 the unit and...which would...which would serve to dilute
2 the acreage less. The map that I gave you, I simply took
3 a pencil and drew several lines on that to show you
4 what...to give you an example of what changing the size
5 of the unit would do to the royalty problem that I
6 perceive is going on here. Basically, there is a line
7 not quite through the middle of the top unit and I would
8 make that the northern boundary. On the south in
9 unit...in the bottom unit, the CC-38 unit, there's a line
10 just...well, it's actually between the two holes, but
11 it's south of the production hole. I would propose that
12 that be the unit boundary. Then coming over in the unit
13 to the right there's a second line sort of parallel to
14 the leg and that's the piece of that unit that I'm
15 catching just for...to illustrate the example. And
16 basically what I've done in the third example is I've
17 gone from a 320 acre unit, which is four 80s, down to a
18 142 acre unit and then allocated royalty based on those
19 acreages and basically to compare here if you just stay
20 with C-38, C-38 on a production allocation by feet of
21 leg, they would get 6.2...6.12%. By just allocating
22 equally to the four units 25%. By changing the size of
23 the unit to a 142 acres to approximate drainage areas,

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1 their percentage would go to 10.56. Now, to show you
2 what I'm talking about in terms of delusion of interest,
3 if you look at BB-38 an allocation of production by feet,
4 they're at 67%. Allocation after acreage adjustment they
5 at 56%. If you do what Mr. Asbury is doing and what you
6 all have done historically, they are 25%. So, you have
7 essentially shifted acreage from the unit that have the
8 majority of the production to other units. I just...you
9 know, from a correlative rights standpoint, I know there
10 are reasons on both sides of this. But, you know, I will
11 say that, you know, for an owner in, you know, the Middle
12 unit...you know, the BB-38 unit, you know, there is a
13 very traumatic effect on their royalty interest.
14 And...and...you know, I'm suggesting to you that a way to
15 do rough justice here without too much delusion of
16 royalty is either pay on a production basis by allocating
17 it by the feet of the well because these are horizontal
18 wells again now. But by the horizontal feet in each
19 unit, which is example one, or to allow the operators to
20 shape and size the unit in a way that reduces the acreage
21 to an acreage that looks like it more closely resembles
22 the actual drainage pattern produced by the well. Now,
23 the reason that we came...I can only speak for CNX. But
24

1 the reason that we came to you with four 80 acre units in
2 our application is because we have historically had quite
3 a bit of push back from you. We have been here in the
4 past with units that look like, you know, the drawing
5 that I've given you today where I've taken a piece of the
6 northern unit, a piece of the southern unit and a piece
7 of the unit off to the...that would be the east, I guess,
8 to get the acreage down to a number that more arguably
9 approximates the drainage so that we don't have the
10 delusion interest. But we've gotten a real...a very hard
11 push back from Mr. Asbury's office, don't submit things
12 like that because, you know, they're unlikely to be
13 approved. Sometimes...you know, since I haven't...I
14 don't represent the other operators and I'm not
15 always...I don't...you know, I like you guys, but I don't
16 hang around for their presentations if I can avoid it,
17 you know, so...and I'm not always sure what has happened
18 when this has happened. But I felt like this was a
19 problem...a potential problem and I wanted to illustrate
20 for you all the fairly dramatic affect just a blanket
21 pronouncement that we're going to go with 80 acre units
22 that were designed for vertical wells and we're going to
23 apply that. I will say that, you know, there is not

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1 title issue from our standpoint. You know, it's not any
2 harder for us to do this work, you know, to have a
3 different shape of unit. From the standpoint of having
4 lessors in these units and having some obligation to
5 bring it to your attention, there are other ways to do
6 this that would, you know, protect them, I think, a
7 little better. You know, that's the other reason that
8 we're here. But you do have some options. I will say
9 that an allocation by feet of well in a unit is something
10 that you could do by the simple statement in an order.
11 If you approved...if the order you enter based on the
12 November hearing simply said, we are going to allocate
13 production from the well based on the footage of the
14 horizontal legs in each unit as follows to each of the
15 Oakwood 80s you would accomplish the top example. If you
16 simply say that you're creating a 320 acre unit and
17 you're going to allocate production, then you want to
18 cross the statutory problem that Mr. Asbury identifies.
19 The statute says that if you create a unit, you have to
20 allocate equally to everybody in that unit. So, if you
21 allocate the production to the 80 acre units, then you
22 can do that. If you allocate the production on a footage
23 basis to a 320 acre unit, you can't do that. I guess,

24

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1 sort of a compromise position, and this is the last
2 observation that I would have, if you use the first
3 allocation method, the one at the top, what you're doing
4 there is you're keeping a 320 acre distribution mechanism
5 and the people south of this line will receive some
6 money. The people north of this line will receive some
7 money, but it will be allocated in such a way that you
8 are not depriving the people in this unit of
9 substantial...substantial royalty money that they would
10 otherwise be entitled to. Essentially, 32% of the
11 royalty goes away for these folks, I mean, that's
12 the...you know, if you just allocated the way you're
13 talking about doing it. I will tell you since we do not
14 receive royalty money except in those instances where we
15 are an owner, and I don't think that's an issue here,
16 but, I mean, occasionally CNX does own the royalty
17 interest, but, you know, my push back is simply to be
18 sure that you understand you have some option and that a
19 consequence in this situation of trying to spread the
20 royalties over a large acreage that there is actually,
21 you know, some benefit to people for that, but there's
22 also some detriment that's pretty substantial I think
23 here. I just wanted you to know that you've got some

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1 option that we are resisting an allocation which does not
2 either allocate by feet of production hole or by allowing
3 us to resize this unit to make it a little smaller. I
4 mean, those are...either one of those would be our
5 preference. Obviously, you know, if you go with option
6 three, we've got to come back with a new map. But...so,
7 in sum I wanted to be certain that for arguments that we
8 were sure that you understood your options. That you
9 understood that we had some heartburn with regard to
10 a...to what you've done to other operators in terms of,
11 you know, making a decision that this is the appropriate
12 way to go. With that, you've got the exhibits and you've
13 got sort of a theory and I'll...we're done.

14 MARY QUILLEN: Well, I believe at the
15 November...when we, you know, first addressed this item,
16 because of the odd shape I think we were looking at it as
17 80 acre units rather than...even though it was a
18 horizontal unit. I believe that's where we kind of---.

19 MARK SWARTZ: And you can do that is what I'm
20 saying. I mean, if you---

21 MARY QUILLEN: ---lost sight of what the
22 statute says.

23 MARK SWARTZ: Well, if you allocate the
24

1 production to each of the units, you can do exactly what
2 you did. So, if you allocate...you know, if you say in
3 your order that you allocating the production from this
4 well to these four 80 acre units on the following basis,
5 I think you can do that.

6 MARY QUILLEN: But because it is in...you can
7 folks correct me on this. Because it is a horizontal
8 unit that covers the 380 acres---.

9 MARK SWARTZ: 20.

10 BRUCE PRATHER: 320.

11 MARY QUILLEN: Oh, excuse me.

12 MARK SWARTZ: That's okay.

13 MARY QUILLEN: 320 acres in the horizontal, it's
14 hard to differentiate between the...what is a unit...a
15 horizontal unit traditionally as far as out statute is
16 320 acres and then the 80 acre in...that are established
17 in this field.

18 MARK SWARTZ: Okay. Horizontally you can...you
19 can make a hor...the Board can make a horizontal unit any
20 size it wants. You could have a 100 acre horizontal
21 unit, an 80 acre, 600 acre horizontal unit. The reason
22 people have been showing up in front of you with these 80
23 acre units put together is because essentially we're

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1 being told by the Board and Mr. Asbury to some extent,
2 you need show up with units that look like that. The
3 reason that I'm here today is I'm just sort of saying
4 maybe we need to think about whether or not it would be
5 more appropriate that horizontal units be tailored made
6 to what the legs look like. That's the point of my
7 presentation today.

8 MARY QUILLEN: Have more discretion on the shape
9 of it.

10 MARK SWARTZ: The Board...actually you have
11 discretion---.

12 BRUCE PRATHER: Yeah.

13 MARK SWARTZ: ---and maybe---.

14 MARY QUILLEN: But we have not exercised that.

15 BRUCE PRATHER: The one...the one thing about
16 what you've presented here, Mr. Swartz, it looks to me
17 like what I said previously that we can give you a
18 variance outside of this unit to drill that lateral
19 length as long as you want to make the thing. It looks
20 to me like what you've done here for us is this isn't
21 going to be an accounting procedure for these wells that
22 are outside the 320. So, as far as I'm concerned, we
23 still are still within the 320 and we're just allowing
24

1 you to drill out of the thing on a variance. It's up to
2 you to come up with the accounting.

3 MARK SWARTZ: But you have to...but Ms.
4 Quillen's point is, you can't create a 320 acre unit and
5 just leave it at that, which is also Mr. Asbury's point
6 because---.

7 MARY QUILLEN: Uh-huh. Right.

8 MARK SWARTZ: ---if you create a 320 acre unit,
9 we can't...the statute prevents us from allocating this.
10 So, what you've got to do is...sort of what you're
11 saying is allocate the production from this well in this
12 unit to four units. If you do that, we're good to go, if
13 you feel like that's the fair way to go, I mean. But
14 I've just...I just wanted you to know, that's an option.
15 That changing the size or shape of the unit is an
16 option. But I really think just picking four units and
17 dividing it by four between these four is not the way to
18 go.

19 BRUCE PRATHER: Well, it doesn't fit the length
20 of these laterals. That's what the problem is.

21 MARK SWARTZ: It...it...it doesn't look good in
22 relation to the shift to where the drainage is coming
23 from, correct.

24

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1 BRUCE PRATHER: Yeah. But like I say, it looks
2 to me like, you know, we're kind of talking about two
3 things. What I'd like to see the Board to do would be to
4 stay within these 320 units as much as you can and you
5 use variances over into these others and it's up to you
6 to use the accounting to take care of whatever that
7 royalty interest is. If you think that's a fair way to
8 do it, that's fine with me.

9 MARK SWARTZ: Yeah, I mean, as long as you get
10 closer to a rough justice royalty number---.

11 BRUCE PRATHER: Yeah.

12 MARK SWARTZ: ---and I know that Ms. Pigeon is
13 such a fine lawyer that she could craft an order that
14 allocated production from the well in that unit to these
15 four units and leave these four units intact.

16 BRUCE PRATHER: Yeah.

17 MARK SWARTZ: But you have to do that. You
18 can't---.

19 SHARON PIGEON: I'm on Mr. Asbury's side of this
20 argument. So, my order---.

21 MARK SWARTZ: Yeah. But you work for the Board.
22 So, if the Board told you to do it, I bet...I bet you
23 could.

24

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1 SHARON PIGEON: I would probably need your draft
2 to work from.

3 MARK SWARTZ: But I just...this is...it's just I
4 wanted to...because my experience with you all is you
5 tend to do the right there if you know you have options.
6 Your right thing isn't always my right thing. But, you
7 know...but I wanted you to know that you've got some
8 choices here. When you look at this, some of the
9 choices, I think, look a little more appealing than where
10 we've been.

11 BRUCE PRATHER: Yeah.

12 MARY QUILLEN: And I certainly agree with you.
13 Doing that equal allocation is not---.

14 MARK SWARTZ: It doesn't look good.

15 MARY QUILLEN: ---protecting correlatives right
16 of those folks in that one unit where the major
17 production is coming from. So---.

18 BILL HARRIS: But, you know, as I read the
19 statute, and this is probably...I think this is maybe
20 what we're arguing about. The statute, "All gas owners
21 within a unit share on an average proportional basis of
22 gas produced from the unit." So, what we're doing is
23 proportioning out the gas produced from the unit. I

24

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1 mean, is that what we're saying that you guys---?

2 BUTCH LAMBERT: Well, I don't think that's---.

3 BILL HARRIS: ---that everybody is looking at

4 lateral lengths?

5 MARK SWARTZ: No. The statute says---.

6 BILL HARRIS: If there are four---.

7 MARK SWARTZ: ---everybody in a unit---.

8 BRUCE PRATHER: Yeah.

9 MARK SWARTZ: ---must receive the same piece

10 for each acre, okay. That's what the statute says. If

11 you create a unit that is not 320 acres, if you say we

12 are allowing you to drill this well in this unit but

13 we're requiring you to allocate the production from that

14 well as follows among these four Oakwood units, you go to

15 number one and you get where you need to be.

16 BUTCH LAMBERT: I don't read it that way.

17 SHARON PIGEON: Me neither.

18 MARK SWARTZ: If you're not comfortable with

19 that and you feel like you need to create one unit, okay,

20 then you're at example three. So, if the argument is

21 we're not comfortable allocating horizontal production on

22 a per foot basis to four units then your alternative to

23 get to a rough justice outcome, at least in my view, is

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1 to resize this unit to make it smaller.

2 BRUCE PRATHER: Mr. Chairman, I've got a...the
3 big problem that I've got with changing the size of these
4 units is it's not necessarily internally within your
5 acreage block. Where I run into problems with this thing
6 is when I get to the boundary...when you run up against
7 somebody else's property and you start having these
8 rectangular units and things, all of sudden we run into a
9 problem because the people adjacent to you are using
10 these square units and here you're using rectangles and
11 that's a...I mean, I'm just looking down the road as to
12 what kind of a problem we might get into. That's why I
13 like---

14 MARK SWARTZ: Well, I guess---

15 BRUCE PRATHER: ---the variance thing. That
16 way I know I can stay in my squares and I just give you a
17 variance into the next unit and then you can figure up
18 the royalty on your own.

19 MARK SWARTZ: Well---

20 MARY QUILLEN: And protect the correlative
21 rights of those folks that---

22 BRUCE PRATHER: Yeah.

23 MARY QUILLEN: ---you're getting a variance.

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1 MARK SWARTZ: Right. What it does...but, you
2 know, you've got...for you to do what you're talking
3 about doing, you're going to have to tell them we can do
4 this, okay, because you're getting some push back
5 conceptually. They're saying, no, you can't allocate
6 production to four units and you're saying I think we
7 can. I mean...so, if you can't get on all of you on the
8 same, you know, vehicle on that---.

9 BRUCE PRATHER: Yeah, I understand...I
10 understand what you're talking about.

11 MARK SWARTZ: ---than your alternative really is
12 we need to create a smaller unit that approximates the
13 drainage area of this actual well, which then causes the
14 problems that you're concerned about. I will tell you
15 that I'm less concerned about those kinds of issues
16 because you can overlap units and pay royalty twice. I
17 mean, we've done that in the past. So, I guess, with
18 regard to these horizontal units I'm less concerned
19 about, you know, overlapping corners and intersections
20 and people in those pieces actually receiving royalties
21 for the same acreage from two different horizontal wells.
22 So what, you know, that's a good thing.

23 BUTCH LAMBERT: But, Mr. Swartz, what we have...

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1 what we have approved in November is not four units.

2 MARK SWARTZ: I know. But what I'm saying is we
3 need to---.

4 BUTCH LAMBERT: Now, you have one...one unit
5 approved and you keep---.

6 MARK SWARTZ: And I'm---.

7 BUTCH LAMBERT: ---you keep separating out we're
8 paying from four units, but we're not paying from four
9 units. We're---.

10 MARK SWARTZ: No, no. I'm not...I'm not...I'm
11 not---.

12 BUTCH LAMBERT: ---from one unit that's---.

13 MARK SWARTZ: ---fighting about it. I'm saying
14 that he is right. Mr. Asbury is right. This needs to
15 either be left...you either need to go away from
16 production by a foot. Okay, an allocation of production
17 and go to the...everybody gets 25%. I mean,
18 that...because you created one 320 acre unit. So, if
19 you're going to create one 320 acre unit, the statute
20 says that every acre in those...every acre of those 320
21 acres has to receive essentially the same piece. So,
22 you're going to have to revise the order and either...if
23 you want to make a change, you know, you're going to have
24

1 to revise the order and say everybody gets the same,
2 which is what you've done in the past or you need to say
3 we're not going to create a 320 acre unit. We're going
4 to leave these four units intact and we're going to
5 allocate production from the well located in this unit to
6 these four units this way or we're going to direct the
7 operator to come back with a new unit that more closely
8 approximates the actual drainage. I mean, those are your
9 three choices. To go back and do the middle one and just
10 say it's a 320 acre unit and this is how it gets paid or
11 do what Mr. Prather is suggesting or do...you know,
12 direct my client to resize the unit and come back. I
13 mean, those are your three choices.

14 BUTCH LAMBERT: Well, let me read to the Board
15 section 45.1-361.21. It says, "A unit covered by a
16 pooling order shall be deemed to be the conduct of such
17 operation in each tract in the unit. The production
18 allocated to that tract covered by the pooling order
19 shall be the same proportion as the acreage of that tract
20 bears to the total acreage of the unit."

21 MARK SWARTZ: Right. So, if you create a 320
22 and you don't do anything else, basically it's
23 example...the example in the middle where everybody gets
24

1 25%. If you're going to create...if you're...if you're
2 going to leave it as a 320, that's where you're going to
3 be. If you're...if you're prepared to do what Mr.
4 Prather wants to do, you can do Exhibit One, I think, by
5 saying we're not going to create a 320 acre unit. We're
6 going to...we're going to stay with the four 80s. We've
7 got one unit that has a production and we're going to
8 allocate it to the others or we're going to change the
9 size of this unit. I mean, those are your...those are
10 your three options. If you're going to stay with a 320
11 acre unit, you've got to go with the middle option. But
12 I'm suggesting that that's...if you're going to make a
13 change, I wouldn't do that. But I'm not arguing
14 that---.

15 BUTCH LAMBERT: The other option...the other
16 option is to maybe it might be time for this Board to
17 reconsider approving provisional units until we get
18 better clarification on how we're going to proceed. We
19 can't...we can't do your way and we can't do other
20 companies another way and maybe even talk about
21 some...establishing some rules on how we proceed. That's
22 another option that we can do.

23 MARK SWARTZ: Well, I would think you want to be
24

1 consistent. I mean, I would think that you would want
2 to...would want to be thinking today what is the right
3 way to do this and not, you know, let's just do this
4 once. I mean, I'm not...I'm not here...I mean, we
5 wouldn't...I wouldn't be talking to you in terms of
6 concepts if we were only talking about doing the one
7 unit. I mean, I think this is a time...I'm not sure that
8 you need to take a lot of time to do this, but I think
9 this is an opportunity for you to revisit this issue and
10 decide whether or not what you have been doing is what
11 you want to continue to do as a Board.

12 BUTCH LAMBERT: Well-.

13 MARY QUILLEN: With the increase number of
14 horizontal wells and proposals for wells, I think...I
15 really do think that, you now, we need to get on Board
16 and consistent with everybody.

17 MARK SWARTZ: There's going to be...I mean, this
18 is the new production methodology. I mean, it's...you
19 know---.

20 BRUCE PRATHER: See the problem I have with the
21 thing is that we really don't know in the future what the
22 length of these laterals are going to be. I mean, these
23 laterals could be out there 20,000 feet, I mean, you

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1 know, with technology and this, that and the other.
2 Since we don't know what that is, it's almost impossible
3 to say put a spacing on this thing. That's---.

4 MARK SWARTZ: Well, but if---.

5 BRUCE PRATHER: ---the reason I'd just like to
6 have a spacing and then give you a variance. If you
7 wanted to drill out there, and it's internally within
8 your property, have at it.

9 MARK SWARTZ: You know, there are several ways
10 to do this, but I think, you know, in response to
11 Chairman Lambert's comment, you know, I think...I don't
12 think there's a one size fits all solution to this.
13 So...I mean, an example would be the comment that you
14 just made. I think as...as...I would recommend that you
15 implement...that you make a choice that allows operators
16 to design these horizontal units in different shapes, but
17 requires them or allows them to show up with a unit shape
18 and size that approximates drainage as opposed to just
19 follows existing grid lines for vertical wells. I just
20 don't...you know, I understand there was some reasons why
21 that was done, but I'm not...I don't think it works very
22 well from a rough justice standpoint in terms of payment
23 of royalty.

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1 BUTCH LAMBERT: Now, you're wanting us to do
2 West Virginia shapes.

3 MARK SWARTZ: Just because I'm from West
4 Virginia, I'm not going to rise to the bait, okay.

5 SHARON PIGEON: A very suspicious correction
6 there.

7 (Laughs.)

8 BUTCH LAMBERT: Yeah, it was a little suspicious
9 there.

10 BILL HARRIS: Let me...let me ask another
11 question. The AA-39, which is not included, this is the
12 upper right 80 acre unit that exists here, in the past
13 we've seen a lot of four...groups of four and that's how
14 we got to the 320 and, I guess, I had kind of two
15 questions. One is the lateral that goes through BB-38
16 and BB-39 that sort of ends on that property line we, of
17 course, can't be sure if it's going to end there. I know
18 that there's---.

19 MARK SWARTZ: Correct.

20 BILL HARRIS: ---you know...within a few feet
21 we can be there. In the past, we've had units where
22 let's say that lateral does extend to AA-39 but the
23 actual production hole...you know, there's a...I guess, a
24

1 drilling hole and production...they probably give them
2 different names, would be in that lower right one...lower
3 left one. In other words, moved up some. We...I'm not
4 suggesting necessarily that we do that because I don't
5 know what...what leases you all might have in AA-39. But
6 we would normally have in the past had that all been
7 moved up into those four contiguous units that are...that
8 form that rectangle, we would normally have just voted
9 that and 25% in each unit. So, the difficulty here is
10 because this begins in a piece of a unit...piece of an 80
11 established unit, which again is a line draw on the
12 ground---.

13 MARK SWARTZ: Well, if you moved this unit...if
14 you move the production hole, the CC-38A production hole
15 into the unit just north of it, okay, which---.

16 BILL HARRIS: Yes.

17 MARK SWARTZ: ---would shove the leg that I've
18 number two slightly into the unit...the 80 acre unit to
19 the northeast, okay,---.

20 BILL HARRIS: Yes. Assuming that was---.

21 MARK SWARTZ: ---those people would get the
22 same windfall because there would just be a tiny bit of
23 one leg in their unit that the people in unit CC-38 are

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1 currently getting. I mean, it doesn't solve the problem.
2 It just, you know...it still dilutes the royalty
3 interest of the one unit and it transfers their interest,
4 I think, unfairly, you know, from a correlative rights
5 standpoint to another unit. But it doesn't...you can do
6 that. But it doesn't solve the is this rough justice.

7 BUTCH LAMBERT: Well, the whole issue here is
8 not the unit or the size of the unit. The whole issue is
9 how we're going to pay out in the unit. Once this unit
10 created---.

11 MARK SWARTZ: Yeah. But there is an opportunity
12 though, and I will, Mr. Harris, you know, if we...if we
13 were given...if operators were given the right to design
14 a unit that approximated anticipated drainage, the unit
15 boundary would not be at the northern boundary of BB-39.
16 It would be a little north of there. You know, so the
17 issue that...you know, there are opportunities to do a
18 better job if we're told we don't have to follow those
19 lines.

20 BUTCH LAMBERT: Again, the issue is not the
21 unit. The issue the proportional share of the folks
22 within the unit according the statute---.

23 MARK SWARTZ: Well, yeah, but you're---.

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1 BUTCH LAMBERT: ---and that's what we're having
2 to deal with here. I...I don't think anybody is having
3 much of an issue with the unit size or configuration. I
4 thought what we're dealing with is there's a statute that
5 says everybody shares the same within the unit.

6 MARK SWARTZ: Right. And I'm saying, if we're
7 going to follow that statute to the letter for horizontal
8 holes, this unit...this unit---.

9 BUTCH LAMBERT: Isn't that what we're supposed
10 to do, Mr. Swartz?

11 MARK SWARTZ: ---needs to be a 150 acres max.
12 No.

13 BUTCH LAMBERT: We're not supposed to follow the
14 statute?

15 MARK SWARTZ: Yeah, we should...then this unit
16 should be a 150 acres max and not 320. So, you should
17 create roughly...you know, I've got a 142 acre unit
18 examples...example number three. If this unit is a 142
19 acres instead of 320 acres, it works for me fairly. So,
20 I'm agreeing with you. You know, you start with the size
21 of the unit. The size of this unit is wrong if it's 320
22 is where I'm coming from.

23 SHARON PIGEON: That is what you asked for.

24

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1 BUTCH LAMBERT: Yeah, that's what you---.

2 MARK SWARTZ: Right. And if you allocate it on
3 a footage basis...if you allocate it on a footage basis
4 you get a good result.

5 BUTCH LAMBERT: So, I guess are you prepared to
6 come back with another proposal on a different unit?

7 MARK SWARTZ: All you need to do is say we are
8 going to allocate...we're going to change...we're going
9 to...in your order, we are going to allocate the
10 percentage...we're going to allocate the production from
11 the well located in CC-38 on the following basis to four
12 Oakwood units. That's what the order needs to say and
13 you're good to go.

14 SHARON PIGEON: That's not what your application
15 says.

16 MARK SWARTZ: I understand. So, we're back here
17 on that same application---?

18 SHARON PIGEON: Well, we would like you to come
19 back with that.

20 MARK SWARTZ: ---to amend it, right? He's
21 saying you need to amend it to do...everybody gets 25%.
22 My push back is, no, we need to amend it to say we're not
23 creating a 320 acre unit. I mean, one of the options.
24
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1 We're staying with the 480s and we're allocating
2 production on a footage basis. I mean, I don't need to
3 feel like I need to come back. I mean, you know, we're
4 here because the DGO wanted to amend the order. I'm
5 saying it needs to be amended, but the fair way to amend
6 it is not to say we're going to give everybody 25%. It's
7 either allocate to four 80 acre units or give us an
8 opportunity to resize this unit to down to around 142
9 acres.

10 BUTCH LAMBERT: That doesn't meet the
11 requirements of the statute.

12 MARK SWARTZ: Yes, it does. If I create a 142
13 acre unit instead of a 320, we're good to go because
14 everybody gets exactly the same production per acre.

15 BUTCH LAMBERT: And then come back with another
16 petition for that size of unit.

17 MARK SWARTZ: We'd be delighted to. We'll just
18 do a map and we'll come back...we'll come back
19 with...we'll adjust the size of this unit.

20 DAVID ASBURY: Mr. Chairman.

21 BUTCH LAMBERT: Mr. Asbury.

22 DAVID ASBURY: Part of this is being consistent.
23 My humble input here is that the gas producers need to

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1 define their drainage pattern. They need to come before
2 the Board and present their unit to the Board based on
3 the best information they have as far as gas drainage
4 patterns in the horizontal units that they have. But
5 once that the Board decides what a unit, be it at 160
6 acres, 140 acres, be it 320 acres, you first do the unit.
7 Once a unit is approved, then we have to follow statute.
8 We have to insure that the royalty or working interest
9 income is allocated on an acreage proportionate basis.
10 I'm having a little trouble, Mr. Swartz, getting to this
11 25% because the people in these units aren't going to get
12 25% of the production. They're going to get their
13 acreage proportionate share of the total of production.

14 MARK SWARTZ: Okay. You're having a math
15 disconnect. If there are 80 acres in each of these
16 units, the people in each of these units are receiving
17 25% of the money based on a 320 acre unit. That's where
18 the 25% comes from. Everybody...and that's...I think
19 that's wrong.

20 BUTCH LAMBERT: Well, that's simple math.
21 Simple math that's correct, but I think...I thought of
22 what Mr. Asbury was saying---.

23 DAVID ASBURY: You have to go to the acreage
24

1 that is in the unit.

2 SHARON PIGEON: Right. They may own in two or
3 three of these.

4 DAVID ASBURY: They may own two or three.

5 MARK SWARTZ: No. Well, what...what I'm saying
6 is if you give us an opportunity to come back here with a
7 unit that we think looks like an appropriate unit
8 reflecting the drainage of these legs, we'll do that and
9 it's going to be on the order of an 140 or 150 acres.
10 Everybody in that unit is going to get exactly the same
11 amount of money per acre.

12 MARY QUILLEN: Well, I think where we have gone
13 sort of astray on this is all of the early horizontal
14 units were developed in...not in these established
15 fields. So, the 320 acres where those horizontal wells
16 was established. But that was not a field that had
17 already been established---

18 MARK SWARTZ: Correct.

19 MARY QUILLEN: ---as 80 acres or 58 acres or
20 whatever.

21 MARK SWARTZ: Correct.

22 MARY QUILLEN: Now, we're coming back and now
23 are being to drill horizontal wells in these established
24

1 fields where there are 80 acres. We're trying to overlay
2 that grid for the 320 acres into...onto these already
3 established fields and make them work.

4 MARK SWARTZ: And I'm suggesting that may not be
5 appropriate.

6 BILL HARRIS: You know, I think the 320 comes
7 from just four of those 80 acre units.

8 BRUCE PRATHER: Oh, sure.

9 MARY QUILLEN: But those are not---.

10 MARK SWARTZ: Right. Right. Exactly.

11 BILL HARRIS: It was convenient to do it that
12 way. I'm not sure that that's really the best---.

13 MARY QUILLEN: But they were not originally.
14 There were no 80 acres established where they were doing
15 these earlier fields.

16 BILL HARRIS: But I think that all of the
17 presentations that we've had...I can't say almost the
18 reason we ended up with 320 is they took four 80s and
19 positioned those together---.

20 MARY QUILLEN: But the original---.

21 BILL HARRIS: ---even though they didn't have
22 80s already in place. But I think that was where the 320
23 came from.

24

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1 MARY QUILLEN: They came up with that and then
2 there...on these fields that are already established with
3 80 acres, that was not a...that was not a question. They
4 came up with the 320 acres---

5 BRUCE PRATHER: Would another way to---?

6 MARY QUILLEN: ---based on the design of the
7 drilling and the legs of that.

8 BRUCE PRATHER: Would another way of coming up
9 with the interest would...you know, you're treating these
10 with balloon packers in that horizontal hole. Each one
11 of those packers is covering maybe 400 foot or 500 foot
12 of the section...the horizontal section. If you do five
13 or six of those things and you had two of those balloon
14 packers outside the 320 you give them...take everything
15 and divide it by the number of packers you've got. Could
16 you do it that way?

17 MARK SWARTZ: I'm not sure that's simpler, you
18 know. But you probably could, you know, Mr. Prather.
19 But, I mean, I...I guess, you know...I think there is...I
20 know there's a desire on the part of the Board and the
21 part of the DGO to have sort of a one size fits all.

22 BRUCE PRATHER: Yeah.

23 MARK SWARTZ: And if you look at the Oakwood
24

1 field, you know, which is roughly a 100,000 acres divided
2 into 80 acre units, you know, there has been a tremendous
3 amount of drilling in that field. Most probably of the
4 units have at least one well in them so that the idea
5 that the field would be drilled up and there would be a
6 well in virtually every unit and virtually every...well,
7 every owner in that 100,000 acres would receive some
8 money has kind of come to (inaudible) and we're seeing it
9 in the Middle Ridge and we're seeing it in other areas.
10 With regard to these horizontal units because of the way
11 they look, you know, and the legs don't always have the
12 same angle between them...you know, it could be more or
13 less acute. They could be longer or shorter. I mean,
14 I'm not sure that a one size fits all really works well
15 here. I understand that you would like to see that. But
16 I'm suggesting that it would be great if you could tell
17 the operators, come in with a unit that you're
18 comfortable with that your engineers say this is, you
19 know, the roughly approximate drainage problem that we
20 would...or the drainage pattern that we would anticipate
21 and give them the discretion to do this because we really
22 feel like we don't have the discretion to size a unit.

23 BILL HARRIS: Is...I'm sorry.

24

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1 BRUCE PRATHER: Mr. Chairman, would there be a
2 possibility that if we did change the unit sizes and
3 everything that we could get these boundary problems
4 solved before we do this. In other words, if you could
5 solve your boundary problem with your neighbors ahead of
6 time then as far as I'm concerned you could do about
7 anything you wanted to on these things.

8 MARK SWARTZ: Well, we...e come in...I mean, in
9 the past, I don't if this answers your question or not,
10 but we've come in the past with units that overlap a
11 previous existing unit and we've just---.

12 BRUCE PRATHER: Sure.

13 MARK SWARTZ: ---said we're going to pay these
14 people for this well even though they're getting paid for
15 that well. So, I think...I think if that's what you're
16 asking me, the answer is pretty simple. If you're asking
17 me something harder than that, I'm not sure I understand.

18 BUTCH LAMBERT: Well, what...what we have here
19 is that we...this Board is required to follow statute and
20 that's everybody shares equally in a unit.

21 MARK SWARTZ: Right.

22 BUTCH LAMBERT: No matter what we create as a
23 unit, everybody shares equal. What I understand Mr.

24

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1 Swartz...what I understand you to say is that you're
2 willing to go back and prepare---.

3 MARK SWARTZ: A different unit.

4 BUTCH LAMBERT: ---a different unit to bring
5 back before this Board for further discussion.

6 MARK SWARTZ: That would be great.

7 BUTCH LAMBERT: Okay. Does that satisfy the
8 Board?

9 MARY QUILLEN: Yes.

10 MARK SWARTZ: We would be delighted to do that.

11 SHARON PIGEON: Are you withdrawing this one?

12 MARK SWARTZ: Say what?

13 SHARON PIGEON: Are you withdrawing this one
14 that was approved?

15 MARK SWARTZ: No. We're going to come back a
16 revised map.

17 MARY QUILLEN: We will continue it?

18 BUTCH LAMBERT: We'll continue it. And we---.

19 MARK SWARTZ: And we'll get you the map by then,
20 right?

21 ANITA DUTY: February?

22 MARK SWARTZ: By February?

23 BUTCH LAMBERT: Is that okay?

24

1 SHARON PIGEON: Yeah. (Inaudible).
2 BUTCH LAMBERT: Okay.
3 DAVID ASBURY: Will this...will this be a new
4 petition?
5 MARK SWARTZ: We don't need a new petition.
6 SHARON PIGEON: It will be a continued item.
7 BUTCH LAMBERT: It will be a continued item.
8 SHARON PIGEON: But don't even think about an
9 order right now. It's not looking too promising.
10 MARK SWARTZ: You know what, you need to
11 continue it until March.
12 BUTCH LAMBERT: March? It's continued until
13 March.
14 MARK SWARTZ: Because when we reshape this, we
15 may have some people in that other unit that we need to
16 notice.
17 BUTCH LAMBERT: Okay.
18 MARK SWARTZ: We want to continue it, but we may
19 have to...okay, you've got it.
20 BILL HARRIS: Let me...can I ask one last
21 question before we move on? Is there...and I probably
22 already know the answer. Is there an established
23 drainage pattern from these laterals? In other words, do
24

1 we know how far out from the laterals? Is that pretty
2 much an industry standard that you would...you know, when
3 we drill a conventional well that's circular, we say
4 that, okay, that that's our drainage pattern and we're
5 going to pay per acreage based on that circular pattern.
6 Sometimes they butt up against each other and sometimes
7 they don't. There are always faces left or whatever. I
8 can sort of envision the same thing happening here. It's
9 going to be a jigsaw puzzle. We may not fill in all of
10 the pieces. But I do personally think it's appropriate
11 to look at the lateral length. I think that's important
12 in terms of drainage.

13 MARK SWARTZ: I mean, my experience in West
14 Virginia and I hate to bring that up, you know,---.

15 BILL HARRIS: Oh.

16 MARK SWARTZ: ---, there it seems like...
17 because I haven't done that much, but I've done some
18 horizontal CBM in West Virginia and it seems like the
19 Board and the operators up there have developed a sense,
20 and I'm sure it's based on engineering testimony, you
21 know, that this is a...this is a reasonable offset
22 from...from a...from a horizontal well for drainage
23 purposes because it---.

24

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1 BILL HARRIS: From that lateral.

2 MARK SWARTZ: ---seems like the Board...the

3 Board West Virginia is making judgments on kind of a

4 consistent basis of distance from a lateral. So, I'm

5 sure when we come back, we're have some engineering

6 testimony with regard to that for this, you know, seam.

7 BUTCH LAMBERT: Okay. Thank---.

8 BILL HARRIS: Thank you.

9 BUTCH LAMBERT: ---you, Mr. Swartz.

10 That...that item will be continued until March. Are the

11 folks from Southeast here today?

12 (No audible response.)

13 BUTCH LAMBERT: Mr. Asbury for docket item

14 sixteen VGOB-10-1019-2838, docket number---.

15 SHARON PIGEON: 37.

16 BILL HARRIS: Fifteen.

17 BUTCH LAMBERT: Fifteen. I'm sorry. I'm sorry.

18 I skip down one. 2837. Docket number VGOB-10-1019-

19 2838, docket item VGOB-10-1019-2839, docket number VGOB-

20 10-1019-2840, docket VGOB-10-1019-2841, docket item VGOB-

21 10-1019-2842 strike from the docket, please.

22 MARY QUILLEN: Oh, we're not continuing it?

23 BUTCH LAMBERT: No. Those will be stricken from

24

1 the docket. We're going to break for lunch. One
2 hour...we'll be back in one hour.

3 (Lunch.)

4 BUTCH LAMBERT: Okay. We're calling docket item
5 twenty-one. It's a petition from CNX Gas Company, LLC
6 for pooling of coalbed methane unit EE-14, docket number
7 VGOB-04-0921-1334-02. All parties wishing to testify,
8 please come forward.

9 MARK SWARTZ: Mark Swartz and Anita Duty.

10 JOHN SHEFFIELD: I thought I heard EE-14. I'm
11 like, is that what I heard?

12 MARK SWARTZ: No, actually this is O-80. No.

13 (Laughs.)

14 ANITA DUTY: Come up here, John.

15 JOHN SHEFFIELD: Yes, ma'am.

16 MARK SWARTZ: Come on down.

17 SHARON PIGEON: Bob Barker.

18 JOHN SHEFFIELD: Is that what you do on the
19 other side in West Virginia?

20 MARK SWARTZ: Hey, I've got to have a part-time
21 job.

22 JOHN SHEFFIELD: Well, I'm telling you---.

23 BUTCH LAMBERT: In case this doesn't work out.

24

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1 MARK SWARTZ: Exactly.

2 SHARON PIGEON: Don't give up your day job.

3 (John Sheffield is duly sworn.)

4 BUTCH LAMBERT: You may proceed, Mr. Swartz.

5 MARK SWARTZ: Thank you.

6

7 ANITA DUTY

8 having been duly sworn, was examined and testified as

9 follows:

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SWARTZ:

12 Q. Anita, could you state your name for us,
13 again?

14 A. Anita Duty.

15 Q. Okay. Who do you work for?

16 A. CNX Land Resources.

17 Q. And what do you do for them with regard
18 to this application?

19 A. Pooling supervisor.

20 Q. Okay. And did you participate in the
21 preparation of the notice of hearing, application and
22 exhibits with regard to this petition?

23 A. I did.

24

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1 Q. And did you, in fact, sign both of them?

2 A. I did.

3 Q. Okay. Here, in this instance, the

4 applicant is CNX Gas Company, is that correct?

5 A. Yes.

6 Q. And if the petition is approved, this re-

7 pooling petition, it would continue as CNX Gas Company

8 Limited as the operator, is that right?

9 A. Yes.

10 Q. Okay. The...is CNX Gas Company, LLC a

11 Virginia Limited Liability Company?

12 A. Yes.

13 Q. Is it authorized to do business in the

14 Commonwealth?

15 A. It is.

16 Q. Is it registered with the Department of

17 Mines, Minerals and Energy?

18 A. Yes.

19 Q. And has it filed the required bond?

20 A. Yes.

21 Q. We're talking here about an 80 acre

22 Oakwood unit, is that right?

23 A. Yes.

24

25

1 Q. And it has I think two wells in it?

2 A. It does.

3 Q. At least the application proposes to,

4 right? It has to?

5 A. Yes.

6 Q. Okay, it has to. All right. Are they

7 both in the window?

8 A. Yes.

9 Q. Okay. And this...this unit is

10 being...the application is to re-pool it?

11 A. Yes.

12 Q. And it was originally pooled, I gather,

13 from the docket number probably back in '04?

14 A. It was.

15 Q. Okay. And you've expressed, I think, the

16 reasons for re-pooling are set forth in the application.

17 One, some of the tracts have changed a little bit

18 because of remapping, right?

19 A. Yes.

20 Q. And then the other reason is to get the

21 second well in the unit and give people in the unit an

22 option to make their elections with regard to that second

23 well?

24

1 A. Yes.

2 Q. Okay. Looking at the plat, both of these
3 wells are in...it looks like one of them is just barely
4 in, but they're both in the window, right?

5 A. Yes.

6 Q. And which is the second one, EE-
7 W14A...W14?

8 A. 14A.

9 Q. Okay. So, the...it's an 80. And are
10 both of these frac wells?

11 A. Yes.

12 Q. Have you provided the Board with cost
13 information with regard to each of the wells?

14 A. Yes.

15 Q. And the total cost is expressed in the
16 application as \$648,606.20, is that right?

17 A. Yes.

18 Q. Okay. Going to the cost estimates.
19 We've got one for EE-14 and one for EE-14A. If you could
20 go through the cost for each well, the permit number and
21 the depths.

22 A. For EE-14 the cost is \$323,708.56. The
23 estimated depth is 2,425 feet. The permit number is
24

1 6375. For EE-14A the cost is \$324,897.72. The depth is
2 2,350 feet. The permit number is 9918.

3 Q. With regard to standing and the interest
4 in the unit and the interest collectively that you're
5 seeking to re-pool, you go to Exhibit A, page two, what
6 interests have you acquired and what are you seeking to
7 re-pool?

8 A. We have acquired 90.3250% of the coal,
9 oil and gas claim. We are seeking to pool 9.675% of the
10 coal, oil and gas claim.

11 Q. Okay. Did the mapping change with regard
12 to all of the tracts or just some of them?

13 A. Just the line between Tract 1 and Tract
14 5.

15 Q. Okay. So, let's look at the map here.
16 So, there's...is it the line between 1A and 5A, is that
17 the line?

18 A. Yes. Yes.

19 Q. And the moved slightly?

20 A. Yes.

21 Q. Okay.

22 A. Just a very small amount.

23 Q. Okay. But the tracts on either side of
24

1 that line then had minimum revisions to their percentages
2 and acreage, correct?

3 A. Yes.

4 Q. And do your revised exhibits or the
5 exhibits that you're submitted with this application
6 reflect those changes?

7 A. Yes.

8 Q. Okay.

9 A. And those are our lessors. We have
10 leases on both of those tracts.

11 Q. Okay. So, that would not be pooled
12 parties?

13 A. That would not be pooled parties.

14 Q. Okay. What did you do to tell people
15 interested in the outcome here that we were going to be
16 having a hearing today?

17 A. Mailed by certified mail return receipt
18 requested on November 15, 2010. Published in the
19 Bluefield Daily Telegraph on...no, October the 15th,
20 2010. Published October the 27th, 2010 in the Bluefield
21 Daily Telegraph.

22 Q. And have you provided or are you going to
23 provide today to Mr. Asbury your certificates with regard
24

1 to mailing and your proof of publication?

2 A. Yes.

3 Q. Okay. When you published, did the notice
4 and the map A-1 appear in the paper?

5 A. Yes.

6 Q. Do you want to add any respondents today?

7 A. No.

8 Q. Do you want to dismiss any?

9 A. No.

10 Q. Okay. Since this is a re-pooling,
11 people...all of the respondents had an opportunity to
12 participate or not in the first well, correct?

13 A. Yes.

14 Q. And so the order should provide that the
15 respondents again have an opportunity to participate, but
16 only with regard to the second well?

17 A. Yes, that's correct.

18 Q. Did...did anybody participate or be
19 carried in the first well?

20 A. Yes.

21 Q. Okay. Is it your opinion that drilling a
22 second well in this unit is a reasonable way to continue
23 to develop the coalbed methane here?

24

--

1 A. Yes.

2 Q. And do we have a modification for infill
3 drilling in place with regard to this unit?

4 A. We do.

5 Q. Okay. There are no new parties. So, we
6 don't have any deemed to have leased issues or any of
7 that because we haven't added anybody.

8 A. That's correct.

9 MARK SWARTZ: Okay. I think that's all I have,
10 Mr. Chairman.

11 BUTCH LAMBERT: I have a couple of questions.
12 Anita, why...why did the line change between 1-A and 5-A?
13 What caused the line to move?

14 ANITA DUTY: Whenever we go back and do the
15 second wells in the unit, now the mapping department is
16 actually going back and relooking at all fo the deed
17 descriptions and that type of thing. It actually only
18 changed...I tried to argue with them, but I didn't win.
19 But it went from 50...it was 50...for like Tract 1 51.04
20 and now they're saying it's 50.89. But it was just a
21 shift in the way that that line was...that diagonal line
22 that goes up through the tract---.

23 BUTCH LAMBERT: Taken from deed calls?

24

1 ANITA DUTY: Yes. The mapping that was
2 done...we have a new mapping department and different
3 procedures in place now than we did in 2004. Just with
4 that---.

5 BUTCH LAMBERT: So, it wasn't an actual survey
6 and it was just taken from deed call?

7 ANITA DUTY: No. That's correct.

8 BUTCH LAMBERT: Thank you. Also, on the exhibit
9 that you have behind the plat. This page one of two.

10 ANITA DUTY: Only there's really not a two.

11 BUTCH LAMBERT: Only there's not a two. But
12 page one actually is what I have a question about. Why
13 are you trying to get at with the notation at the bottom?
14 I mean, that's...you're telling us not to consider this
15 as accurate or why is there a disclaimer on there?

16 ANITA DUTY: I think it's more for the purpose
17 of kind of what happened with the Coal Creek. You know,
18 we're not telling you who owns the coalbed methane.
19 We're telling you who owns the coal and we're telling you
20 who owns the oil and gas. But we're not telling you who
21 owns the coalbed methane. We don't want that to be
22 inferred in anything that we state on the tract
23 identification. We're just telling you it's based on
24

1 severance deeds and that type of thing. This is who
2 we're saying owns the coal and this is who we say owns
3 the oil and gas based on our title.

4 BUTCH LAMBERT: Based on your title search from
5 the severance deeds?

6 ANITA DUTY: Yes.

7 BUTCH LAMBERT: Okay. Any other questions from
8 the Board?

9 (No audible response.)

10 BUTCH LAMBERT: Mr. Sheffield?

11 JOHN SHEFFIELD: Yes, I do have some questions.
12 Mark, on the...I guess, the well cost analysis on EE-14,
13 it shows 323...\$323,708.56...\$708...\$3...excuse me. Let
14 me try that one more time. \$323,708.56. Now, that well
15 wasn't...the EE-14...not the...EE-14A is the one that's
16 the new well, correct, in the unit? So, EE-14 was
17 drilled when, about 2005?

18 ANITA DUTY: EE-14A?

19 JOHN SHEFFIELD: EE-14 because you have a cost
20 analysis for EE-14, right?

21 ANITA DUTY: I don't know the dates that they
22 were drilled.

23 JOHN SHEFFIELD: Okay. Well, I have production.

24

--

1 Maybe that can help us. Let me look. Let's see, in EE-
2 14 production started...if the Board needs a copy of this
3 I can show it. BU-2766 started June of 2005 with 435 mcf
4 and then it goes from there. And actually in a final
5 order on this the completed for production cost was
6 \$228,682.57. I've got a copy of that if you'd like
7 to...if you need it.

8 MARK SWARTZ: No. Not a problem.

9 JOHN SHEFFIELD: Okay. So, I think there's a
10 differential on the cost on the well there. I could be
11 incorrect, but that's what's in the final order.

12 BUTCH LAMBERT: What was in the final order, Mr.
13 Sheffield?

14 JOHN SHEFFIELD: The final order completed for
15 production cost was \$228,682.57. The Board can get a
16 copy of this. No problem. Pardon me, if I'm rambling a
17 little bit here. Now, in...I was looking at some of the
18 depths of where...of how deep we're going on some of
19 these wells. Let's see here, let me make sure I've got
20 the right application here because there's (inaudible)
21 wells. BU-40077, EE-14A, I was kind of curious what's
22 our target on that? Is that the Pocahontas 2 coal seams?

23 ANITA DUTY: Yes.

24

--

1 JOHN SHEFFIELD: Okay. In looking at your
2 depth, the Pocahontas 3 is around...it's showing here a
3 double asterisks and it's showing that it's, in your
4 application, 2,047.17 to 2,051.29 for a thickness of
5 about 4.12 feet. But it seems like we've continued to
6 drill down further. What was the total depth on this
7 one? Was it 24? No, 2350.6. So, I guess, my question
8 is what would be the...necessary to go below the target
9 of the Poca 3? By about...let's see, if it's 2350.6 and
10 that was at 2,051.29. So, what is that about 300 feet
11 below the Poca 3 seam?

12 MARK SWARTZ: Les, do you want to come up here
13 and answer that question?

14 JOHN SHEFFIELD: Yeah, come on up, Les.

15 MARK SWARTZ: The question is why would you
16 drill deeper than the seam---?

17 JOHN SHEFFIELD: The target seam.

18 SHARON PIGEON: Well, let him get sworn in
19 before he answers. How is that?

20 BUTCH LAMBERT: Les, you thought you was going
21 to get to set back there all day.

22 SHARON PIGEON: You ignored us earlier and now
23 we're punishing you.

24

--

1 (Leslie K. Arrington is duly sworn.)
2 (John Sheffield shows and explains to Leslie K.
3 Arrington among themselves.)
4 BUTCH LAMBERT: Les, for the question...for the
5 record, the question was why would you drill 300 feet
6 below the targeted seam?
7 LESLIE K. ARRINGTON: Yeah. Well, a lot of
8 times what we do is drill a 150 to 200 foot...200 foot
9 rathole on our holes. Then not only that, they have
10 probably drilled on down because it's showing the
11 possibility of some additional coal seams below the 3
12 seam and they may have went on down for that or we drill
13 down a 150...150 feet or so for a rathole to collect the
14 water.
15 BUTCH LAMBERT: Normal...normally a 150 feet?
16 LESLIE K. ARRINGTON: It will be in that
17 neighborhood.
18 BUTCH LAMBERT: How come...I guess, the question
19 for Mr. Sheffield is how come you went twice that depth?
20 LESLIE K. ARRINGTON: Well, it appears here from
21 this exhibit---.
22 MARK SWARTZ: It's out of the application.
23 LESLIE K. ARRINGTON: It's out of the
24

1 application that they were anticipating additional coal
2 seams below it also. So, they probably just drilled that
3 many feet on down below to if those coal seams were
4 there. There is an indication that they were here, but
5 not really all that thick.

6 BUTCH LAMBERT: So, production is coming from
7 the Poca 3 seam?

8 LESLIE K. ARRINGTON: Well, production will be
9 coming from all of the coal seams.

10 JOHN SHEFFIELD: All the way---?

11 LESLIE K. ARRINGTON: All the way up.

12 JOHN SHEFFIELD: All the way up?

13 LESLIE K. ARRINGTON: Yeah.

14 BUTCH LAMBERT: All the way up, okay.

15 JOHN SHEFFIELD: Okay.

16 SHARON PIGEON: Would topography have anything
17 to with that potentially?

18 LESLIE K. ARRINGTON: No. The difference that
19 he's speaking to is the difference in total depth, which
20 you can see on these exhibits.

21 JOHN SHEFFIELD: Well, it looks like in the
22 exhibit, is there some other coal seams in there?

23 LESLIE K. ARRINGTON: Yes. That's what they
24

1 were anticipating that there was possibly other coal
2 seams there.

3 JOHN SHEFFIELD: Okay.

4 LESLIE K. ARRINGTON: And they probably went
5 down just to make sure.

6 JOHN SHEFFIELD: Okay. So, what they're showing
7 here is they went all the way down to 2120.32 or that's
8 where they were wanting to go to. In these coal seams,
9 how thick are they, the P-222, the P-21---?

10 LESLIE K. ARRINGTON: The anticipated thickness
11 was .2 and .36.

12 JOHN SHEFFIELD: Oh, .2 and .36. Is that feet?

13 LESLIE K. ARRINGTON: Yes.

14 JOHN SHEFFIELD: Okay. So, less than a foot.
15 Okay. And here it shows the last one to be around
16 2120---.

17 LESLIE K. ARRINGTON: Uh-huh.

18 JOHN SHEFFIELD: ---but we continue to go all
19 the way down into the sand. What's this right here?

20 LESLIE K. ARRINGTON: They went all the
21 way...apparently, they went all the way down to the top
22 of the red and greens which they were anticipating---.

23 JOHN SHEFFIELD: Okay.

24

--

1 LESLIE K. ARRINGTON: ---that.

2 JOHN SHEFFIELD: Okay. They were anticipating
3 going in the red and green shales some 200 feet?

4 LESLIE K. ARRINGTON: Well, they were
5 anticipating...you can tell here that they were
6 anticipating going down to it. The drill exhibit shows
7 you that that's what they went down to.

8 JOHN SHEFFIELD: Okay. All right.

9 BUTCH LAMBERT: So, Mr. Sheffield, are you
10 talking about well 14A, the question you just asked him?

11 JOHN SHEFFIELD: Yes, sir. It is on EE-14A.
12 Yes, sir.

13 BUTCH LAMBERT: Okay. So, the total depth we're
14 showing is 2350.

15 JOHN SHEFFIELD: That's what I'm seeing here is
16 2350, yes, sir, .6

17 BUTCH LAMBERT: Okay.

18 JOHN SHEFFIELD: On this exhibit, over here
19 where you're talking about a proposed plugging and
20 abandonment schematic. Is it...it is standard, Les, that
21 we go into that red and green shale about 50 feet?

22 LESLIE K. ARRINGTON: They will...they will
23 drill down to it. Standard...we use that as our standard
24

1 depth to go down---.

2 JOHN SHEFFIELD: Okay.

3 LESLIE K. ARRINGTON: ---or...or 50 feet into

4 it.

5 JOHN SHEFFIELD: Whichever it is. So, really

6 it's not just to it, it's 50 feet into it?

7 LESLIE K. ARRINGTON: Maybe. It could be.

8 JOHN SHEFFIELD: Yeah, well, that's what

9 the...you know, I understand what you're saying. It

10 sounds like 50 feet. Do you know what the total

11 thickness of all of the coal seams are that we are

12 hitting from where the hole begins down to that 2120

13 before we broke off from any of the coal? Do you know

14 what the...the total thickness if you added all of that

15 coal up?

16 LESLIE K. ARRINGTON: No, I don't. Not right

17 offhand.

18 JOHN SHEFFIELD: Well, I kind of added that up.

19 The total thickness 2,120 feet is 31.7 feet. If you

20 divide that out that's about a foot and a half of coal

21 per 100 feet average on 2120 and you've got 31.7 feet of

22 total thickness out of all of those different coal seams

23 that were saw, right? That's what the---.

24

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1 LESLIE K. ARRINGTON: It's your math.
2 JOHN SHEFFIELD: Not mine. Well, you've...
3 you've got a calculator, right?
4 LESLIE K. ARRINGTON: No.
5 JOHN SHEFFIELD: Okay.
6 LESLIE K. ARRINGTON: 31 feet of coal in a---.
7 JOHN SHEFFIELD: Total.
8 LESLIE K. ARRINGTON: ---coalbed methane well
9 is---.
10 JOHN SHEFFIELD: The total.
11 LESLIE K. ARRINGTON: ---a good thickness.
12 JOHN SHEFFIELD: Okay. Solid. Anytime---.
13 LESLIE K. ARRINGTON: No, we...you stimulate
14 anything from a half foot.
15 BUTCH LAMBERT: Gentlemen, I hate to interrupt.
16 But you all are having a discussion on issues that we
17 don't have before us and we don't have a clue what you're
18 talking about. If you have enough---.
19 JOHN SHEFFIELD: Would you like for me to
20 make---?
21 BUTCH LAMBERT: ---exhibits to pass to
22 everybody we'd appreciate that. I mean---.
23 JOHN SHEFFIELD: Okay. Well, that's just what
24

1 was sent to me.

2 BUTCH LAMBERT: Well, we don't know what
3 you're...what you're talking about Mr. Sheffield. I
4 apologize, but, you know, without being able to follow
5 you where you're going with this, I'm not sure how that's
6 going to help the Board.

7 JOHN SHEFFIELD: I'm just...I'm just the asking
8 the question because I wanted to know why the...you know,
9 like the well cost was increased from the total depth
10 from the coal seam.

11 BUTCH LAMBERT: Well, I understand that and that
12 information we have here in front of us and we can follow
13 you there. But on well depths and pluggings, we don't
14 have those and I don't what you're...I don't---.

15 JOHN SHEFFIELD: Yes, sir. Yes, sir.

16 BUTCH LAMBERT: ---think the Board can follow.
17 I'm not sure we have that information.

18 JOHN SHEFFIELD: Now, Les, let me ask you, do we
19 ever encounter anything besides a coalbed methane gas
20 when we drill these? Do you think? Have you ever
21 experienced that?

22 LESLIE K. ARRINGTON: No.

23 JOHN SHEFFIELD: Okay. And the reason that I'm
24

--

1 asking is this article. I'll give you a copy and I'll
2 give the Board a copy. I do have the full article if
3 you'd like.

4 (John Sheffield passes out exhibit to the
5 Board.)

6 JOHN SHEFFIELD: Well, I'm just asking.

7 MARK SWARTZ: Well, there's no question pending.

8 JOHN SHEFFIELD: There's no question pending.

9 MARK SWARTZ: The last question you asked he
10 gave you an answer. So---.

11 JOHN SHEFFIELD: Okay. So...I mean, this was an
12 article and, I guess, a quote from Mr. Grantham about
13 oil. There have been coal from gas wells. He didn't say
14 whether it was conventional coalbed methane. So, it may
15 not have been coalbed methane. But it's just a question
16 and you said you don't. So, I guess you don't ever see
17 anything like that.

18 MARK SWARTZ: I guess the better question is,
19 are you producing oil from any coalbed methane wells that
20 you are aware of?

21 LESLIE K. ARRINGTON: Not for sale.

22 JOHN SHEFFIELD: Okay. Thank you, Mark. I
23 appreciate that.

24

--

1 MARK SWARTZ: You're welcome.

2 JOHN SHEFFIELD: Is there...is there any oil
3 that is...that you have for your own use.

4 LESLIE K. ARRINGTON: No.

5 JOHN SHEFFIELD: Okay. You said not for sale.
6 I understand. Now, when these...this EE-14 is over
7 behind Rowe and I guess that would go over to the Oakwood
8 Gathering, is that correct?

9 LESLIE K. ARRINGTON: Without maps and---.

10 JOHN SHEFFIELD: Okay. No, I'm just asking. It
11 probably goes over the Oakwood Gathering and this is a
12 Cardinal 1 pipeline.

13 LESLIE K. ARRINGTON: It goes into the...our
14 collection system.

15 JOHN SHEFFIELD: Okay. Your collection system.
16 Okay. I was noticing, at one time when we did...we kind
17 of had a problem with some payments and some things with.
18 And I'm going to bring up EE-14 because it was brought
19 up earlier with the cost of a well, I'm a participating
20 member in that. Correction. I'm sorry, Mark. I'm a
21 carried interest participate. It wasn't too long ago
22 that I noticed that EE-14 and not 14A came up in my
23 payment. When it did, it went all the way back to 30
24

1 June of '06, I do have copies of this if you'd like to
2 see it, and coming forward. Anita has helped
3 tremendously with that. It was a mistake in accounting
4 and things like that. But, when we did that it was paid
5 out at one-eighth. So, I guess, there was some
6 misunderstanding and I believe we're going to get that
7 straightened out with Ms. Buchanan.

8 ANITA DUTY: Yes.

9 JOHN SHEFFIELD: Okay. But it still caused some
10 concern for me as far as elections because, you know, you
11 just come out and you start paying a one-eighth when
12 you're supposed to be a carried interest. Well, when I
13 got to looking at it, even at being paid one-eighth,
14 they've got that percentage incorrect. It's a .0047636
15 and it's a .006 to that effect. So, this check, by the
16 way, when it came up I gave it back to Anita for, you
17 know, it wouldn't go crazy and all this and all that, but
18 evidently it has become a little crazy on how we're
19 trying to get everything straightened out. Now, Mark,
20 one of the reasons I did that was I was concerned that
21 even though I elected to be a carried interest that if I
22 were to cash this check would that way...or would that in
23 anyway assume that I have changed my mind on my election?

24

--

1 MARK SWARTZ: You will have to talk to one of
2 your many lawyers to get an answer to that question.

3 JOHN SHEFFIELD: Well, I...I don't have a lawyer
4 here today. I'm asking you that.

5 MARK SWARTZ: I'm not your lawyer. I'm not
6 giving you an opinion to hypothetical question.

7 SHARON PIGEON: Does it have anything to do with
8 this issue?

9 JOHN SHEFFIELD: Yes, it does because EE-14A,
10 ma'am...Ms. Pigeon, was also coupled in with all of this
11 also. They tried to pay me a one-eighth.

12 SHARON PIGEON: But this is...but this is a
13 hypothetical. It didn't occur, right?

14 JOHN SHEFFIELD: No, not in this situation. It
15 did not. You are correct. But I guess I am asking if it
16 had happened, would that happen?

17 MARK SWARTZ: You need to get a lawyer.

18 JOHN SHEFFIELD: Okay. All right. So, what
19 you're saying is if that situation had happened then we
20 could discuss that?

21 MARK SWARTZ: No.

22 JOHN SHEFFIELD: We couldn't discuss that?

23 MARK SWARTZ: I have an opinion, but I'm not
24
25

1 prepared to give you free legal advice because you're not
2 my client.

3 JOHN SHEFFIELD: Okay. All right. Les, in the
4 past, we used to look at...you know, there would be a
5 well and here's the production and the production would
6 be broken down and it would be different pay codes. As I
7 remember, there was a pay code say with an X-17 well
8 production...X-17A. You have some production that would
9 be in pay code 904. That's going back a little bit. I
10 believe they've changed those codes since then. 904, the
11 4 meaning the fourth letter in the alphabet, which is D
12 would be for Dryer Coal or Coal Dryers is the way it was
13 explained to me. In that, we would be paid a dollar less
14 of market value but no post production. Are you familiar
15 with that pay code and remember anything like that?

16 LESLIE K. ARRINGTON: No. I don't work in that
17 area anymore. So, if they've changed it, I don't
18 know---.

19 JOHN SHEFFIELD: Well, I mean, but...okay, you
20 don't remember that back in the 2000 and 2001?

21 LESLIE K. ARRINGTON: No.

22 JOHN SHEFFIELD: Or pay code 906, which is a 6
23 letter in the alphabet for fuel, which we were paid

24

--

1 market value and then post production?

2 LESLIE K. ARRINGTON: Sorry.

3 JOHN SHEFFIELD: Or pay code 919 for sale?

4 LESLIE K. ARRINGTON: Sorry. I can't answer
5 those questions.

6 JOHN SHEFFIELD: You don't...you don't have,
7 okay, an answer to that. Okay, also in reviewing what
8 was given to me through this pay status, I looked at what
9 the total mcf reported to me versus what was reported to
10 the state and there were seven months that there was more
11 reported in this report than was reported to the state,
12 which I can understand that can happen. But when I added
13 everything up and, of course, they can have all of these
14 exhibits, it was a difference of around 577 mcf. And...I
15 don't know, would that be...do you think line loss or---?

16 LESLIE K. ARRINGTON: Are you talking about
17 wellhead versus sales?

18 JOHN SHEFFIELD: I guess.

19 LESLIE K. ARRINGTON: Well, certainly we can
20 have some line loss.

21 JOHN SHEFFIELD: Well, yeah, it would be...it
22 would be...yes, sir.

23 LESLIE K. ARRINGTON: okay.

24

--

1 JOHN SHEFFIELD: All right.

2 LESLIE K. ARRINGTON: The fuel usage line loss,
3 without having the numbers before me and understanding
4 where they all came from---.

5 JOHN SHEFFIELD: Okay.

6 BUTCH LAMBERT: Mr. Sheffield, is still related
7 to EE-14...EE-14?

8 JOHN SHEFFIELD: Yes, it is. This is all EE-14-
9 --.

10 BUTCH LAMBERT: Okay.

11 JOHN SHEFFIELD: ---well units. Yes, sir, it
12 is.

13 BUTCH LAMBERT: Okay.

14 JOHN SHEFFIELD: Do you...as far as the
15 gathering of your system, is that...is that...how is that
16 powered up, if I may ask?

17 LESLIE K. ARRINGTON: I don't understand the
18 question.

19 JOHN SHEFFIELD: Okay. How do you...do you
20 receive electricity from Appalachian Electric Company?

21 LESLIE K. ARRINGTON: Some of our compressors
22 are gas fired and some of them are electric.

23 JOHN SHEFFIELD: Some are gas fired and some---.

24

1 LESLIE K. ARRINGTON: We're converting...we are
2 converting them.

3 JOHN SHEFFIELD: Okay. Converting them to
4 electric.

5 LESLIE K. ARRINGTON: To electric, uh-huh.

6 JOHN SHEFFIELD: Okay. So, do maybe some of
7 this gas get used over in the Oakwood Gathering, for
8 instance?

9 LESLIE K. ARRINGTON: It could have. Again---.

10 JOHN SHEFFIELD: Okay. You're not sure.

11 LESLIE K. ARRINGTON: ---without...without
12 looking at it specifically, I can't answer that. We do
13 have gas fired and electric. Most of them, I think, have
14 been converted.

15 JOHN SHEFFIELD: Okay. But could that attribute
16 to some of this difference in the...you know, the
17 reporting? I mean, I understand you've got to move the
18 gas.

19 LESLIE K. ARRINGTON: Really and truly, John,
20 without sitting down and looking at the system and your
21 numbers, it's hard to answer that.

22 BUTCH LAMBERT: I guess, Mr. Sheffield,
23 what...correct me if I'm wrong, but you're trying to get
24

1 to the differences in the production?

2 JOHN SHEFFIELD: What has been reported to the
3 state versus what has been reported to me, sir.

4 BUTCH LAMBERT: Okay. I'm just trying to follow
5 along here.

6 MARK SWARTZ: Well, I mean, just to suggest some
7 simple...you know, if the reports to the state are
8 calendar production. So, you look at what was produced
9 on a...during a calendar year, we know that royalty
10 payments lag. So, you're going to get royalty payments
11 in the following year that were for production the prior
12 year and to just compare royalty and production records
13 from the state, they're...you're going to have to go into
14 the next year. So, I...you know, I have no way of
15 knowing if you've done that. But I wouldn't be surprised
16 if they don't agree.

17 JOHN SHEFFIELD: In answering Mr. Swartz's
18 comment, Mr. Swartz, these are the same months reported
19 to the state versus what is reported to me. It's
20 highlighted right here. I mean, do you want it? You're
21 more than welcome to look at it?

22 MARK SWARTZ: And what unit is that for?

23 JOHN SHEFFIELD: That's for EE-14, sir.

24

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1 MARK SWARTZ: Okay. And your point is what?

2 JOHN SHEFFIELD: That there's a differential in
3 what's reported to the state versus what's reported to
4 me.

5 MARK SWARTZ: Okay. Because the...are the
6 volumes that are reported to you adjusted in anyway? Can
7 you tell from your royalty statement?

8 JOHN SHEFFIELD: Adjusted? Well, when you go
9 with the time period it comes up with a minus 577 mcf,
10 Mr. Swartz.

11 MARK SWARTZ: Let me see what you're looking at.

12 JOHN SHEFFIELD: For the months. Here you go.
13 That's yours. So, he answered. They do some gas fired
14 and things like that. So, we do use some of the gas.

15 MARK SWARTZ: I guess, my point is your royalty
16 statements from CNX, I don't...I don't see on here that
17 there's a fuel use adjustment. So, you can't tell.

18 JOHN SHEFFIELD: No. They don't have the...the
19 codes on them.

20 MARK SWARTZ: Right. And that would explain the
21 difference. I mean, if they have gas fired---.

22 JOHN SHEFFIELD: It's probably in the fuel.

23 MARK SWARTZ: No, I'm just---.

24

--

1 JOHN SHEFFIELD: Okay.

2 MARK SWARTZ: I'm having trouble, you know---.

3 JOHN SHEFFIELD: Well, I'm having...and I

4 apologize. I'm probably misunderstanding that you're

5 saying, Mr. Swartz. I apologize.

6 MARK SWARTZ: Actually, I'm just saying what I

7 thought Mr. Arrington was just saying. That there was

8 gas used to drive compressors.

9 LESLIE K. ARRINGTON: There could be, but

10 without---.

11 MARK SWARTZ: Right. I understand.

12 LESLIE K. ARRINGTON: ---seeing the maps on the

13 field, I can't---.

14 JOHN SHEFFIELD: Right. Okay. All right.

15 Well, that's all my questions.

16 BUTCH LAMBERT: Mr. Swartz, anything further?

17 MARK SWARTZ: Just one topic that I want to talk

18 about.

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1 LESLIE K. ARRINGTON

2 having been duly sworn, was examined and testified as
3 follows:

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6 Q. Les, the original estimate for the first
7 well that was drilled was actually in the order of
8 \$228,000, okay.

9 A. Uh-huh.

10 Q. And that well was drilled I'm thinking,
11 you know, sometime---.

12 A. In basically '04.

13 Q. ---'04' or '05. Has the cost that your
14 company experiences to drill wells increased
15 substantially between '04, '05 and today?

16 A. Yes, they have.

17 Q. And would it surprise you that the cost
18 to drill a well comparing '04 and '05 to current would
19 surprise you that the cost went up from something on the
20 order of \$228,000 to \$300,000 and change?

21 A. None at all.

22 Q. Okay. In effect, were you providing cost
23 estimates as part of your job for some period of time?

24

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1 A. In '04, yes.

2 Q. Okay. And later?

3 A. Yes.

4 MARK SWARTZ: Okay. That's all I have.

5 JOHN SHEFFIELD: And in response to that, I have

6 disagreement with that on EE-14A well. My question was

7 about EE-14 that was drilled at the time that he's

8 speaking of and not today.

9 MARK SWARTZ: Well, I guess my response to that,

10 is who cares? You participated in that at \$228,000 the

11 lower number---.

12 JOHN SHEFFIELD: Okay. Well, that---.

13 MARK SWARTZ: ---and now, you know---.

14 JOHN SHEFFIELD: Right. Well, thank you, Mr.

15 Swartz. That's exactly what I...what I wanted to hear

16 because I saw---.

17 MARK SWARTZ: Well, the Board knows that. They

18 entered an order.

19 JOHN SHEFFIELD: Well, but you have a document

20 in there that says it's \$323,000. But thank you for your

21 time.

22 MARK SWARTZ: But you're not...you're not being

23 offered an election in that well. I mean, that's why...I

24

1 felt like I needed to say that, you know.

2 JOHN SHEFFIELD: Sure. No problem.

3 MARK SWARTZ: You're not getting a second bite
4 at the apple. We're not going to increase the ante by a
5 \$100,000. I don't think the Board would allow us to do
6 that even if we tried.

7 BUTCH LAMBERT: I think Mr. Sheffield would
8 agree with you.

9 JOHN SHEFFIELD: I'm in agreement with, Mr.
10 Swartz. Thank you for your help.

11 MARK SWARTZ: Yeah. I think he likes that
12 answer, yeah.

13 JOHN SHEFFIELD: Thank...thank you for your
14 help.

15 BUTCH LAMBERT: Any questions---?

16 MARK SWARTZ: Other than that, I have nothing
17 further?

18 BUTCH LAMBERT: Oh, I'm sorry. Any questions
19 from the Board?

20 MARY QUILLEN: Just to kind of refresh my memory
21 on the original item was just with those two units that
22 that was an adjustment on 5A and 1A.

23 MARK SWARTZ: The line between Tracts 1 and 5.

24

1 MARY QUILLEN: With the line, that's...that was
2 where the adjustment was on just that area?

3 MARK SWARTZ: Correct.

4 MARY QUILLEN: Okay, thank you.

5 MARK SWARTZ: That was the mapping adjustment,
6 correct. And then we've got the second well that people
7 need...that being pooled that need to have an election
8 opportunity.

9 MARY QUILLEN: Right. Right.

10 BUTCH LAMBERT: Ms. Quillen made the lightbulb
11 come on, I guess, for me to ask another question. Now,
12 just so that we're clear, it's only the line between 5A
13 and 1A and that didn't change any other lines below that,
14 1B or 1G didn't go on through those units?

15 ANITA DUTY: It did not.

16 BUTCH LAMBERT: Okay. Thank you. Any further
17 questions from the Board?

18 MARK SWARTZ: I neglected to ask Anita what the
19 standard lease terms are at the moment that you're
20 offering people for leases. The Board needs to know
21 that.

22 ANITA DUTY: Presently?

23 MARK SWARTZ: Yes.

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1 ANITA DUTY: It is five dollars per acre per
2 year with a ten year paid up term and a one-eighth
3 royalty.

4 MARK SWARTZ: Okay.

5 ANITA DUTY: That's recoupable.

6 MARK SWARTZ: That's recoupable. And would
7 recommend those to the Board for the folks who might be
8 deemed to have been leased if they don't elect some other
9 option here?

10 ANITA DUTY: Yes.

11 MARK SWARTZ: That's all I have.

12 BUTCH LAMBERT: I have a question. Explain to
13 me about recoupable. I mean, to me that's means that
14 you're going to get your money back.

15 ANITA DUTY: Whatever the prepayment that we
16 paid for the lease. If we pay you \$200 in advance for
17 the lease, once the well starts producing we will recoup
18 that \$200 back before you start receiving your royalty.

19 BUTCH LAMBERT: Really?

20 SHARON PIGEON: The bonus?

21 BUTCH LAMBERT: The bonus?

22 ANITA DUTY: The bonus.

23 BUTCH LAMBERT: You take it back?

24

--

1 BILL HARRIS: So---?

2 ANITA DUTY: That's...yeah, that's what I've
3 been told.

4 BILL HARRIS: ---why do we call it a bonus now?

5 MARK SWARTZ: Because if you don't drill the
6 well, you keep it.

7 BUTCH LAMBERT: And these...I'll get you, Mr.
8 Sheffield. Hang on. So, it's...these folks know up
9 front?

10 ANITA DUTY: It has the language in the lease
11 that it is recoupable.

12 BUTCH LAMBERT: They're explained...it's
13 explained to those folks that we're going to take your
14 money back if we drill the wells?

15 SHARON PIGEON: In the lease.

16 ANITA DUTY: I don't...I don't...that's not my
17 job, but they should be telling them that, yes.

18 SHARON PIGEON: These are unleased people.

19 ANITA DUTY: This is unleased that would be
20 offered to any unleased party, yes.

21 SHARON PIGEON: We don't hear this from any
22 other operators and you're telling us these are the
23 normal terms that are being offered. I actually just got
24

1 a...I asked again yesterday to make sure that I was
2 testifying to the proper amount and that's what I was
3 told.

4 SHARON PIGEON: I mean, the recoupable aspect.

5 ANITA DUTY: That was even...that was part of my
6 email also.

7 MARK SWARTZ: And I'm a lot older than Anita.
8 You know, I've seen leases that recoup these kinds of
9 payments...delay rental payments and other payments. You
10 know, just to be clear, if you give someone \$200 up front
11 when they sign a lease and you say it's recoupable that
12 simply means that the first \$200 of royalty that they
13 would otherwise earn they don't get paid. It's not
14 incorrect.

15 BUTCH LAMBERT: Oh, I understand that.

16 MARK SWARTZ: The way you were putting it it
17 sounds like you were asking for a check. But what
18 recoupable means is it's a credit against the royalty.

19 BUTCH LAMBERT: Yeah, we're going to...we're
20 going to get our \$200 back basically that's what it
21 means.

22 MARK SWARTZ: Exactly. Exactly.

23 BILL HARRIS: But it's called a bonus and you
24

1 would think a bonus in addition to, you know, or above,
2 you know.

3 MARK SWARTZ: I understand. But it's---.

4 BILL HARRIS: Well, we need to stop calling it a
5 bonus then I would think if we're...if we're going to
6 take that back. I mean, we use the language bonus. I've
7 always thought a bonus is extra over and above. Do you
8 see what I'm saying?

9 SHARON PIGEON: When did you start doing that?

10 ANITA DUTY: I don't remember ever calling it a
11 bonus payment. I said an up-front payment for...a paid
12 up payment for ten years. I don't remember ever calling
13 it a bonus. I could have, but I---.

14 BILL HARRIS: Well, it could be my inter-
15 pretation of what you said. But, you know, I'm sorry if
16 that was incorrect.

17 ANITA DUTY: It's a prepayment for ten years for
18 five dollars an acre.

19 BUTCH LAMBERT: If you don't drill the well,
20 they get to keep it, but if we drill the well we're
21 getting it back?

22 ANITA DUTY: Yes.

23 BUTCH LAMBERT: Okay.

24

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1 SHARON PIGEON: When did your testimony start
2 including recoupable?

3 ANITA DUTY: Always.

4 MARK SWARTZ: Well, it has been a while. It
5 might have been a year.

6 ANITA DUTY: Didn't we say it last month?

7 MARK SWARTZ: Oh, last month for sure. But I
8 think it has been probably a year. It has been a good
9 while.

10 SHARON PIGEON: We can check that, you know.

11 MARK SWARTZ: It has been a while.

12 MARY QUILLEN: I have just one question.

13 BUTCH LAMBERT: Ms. Quillen.

14 MARY QUILLEN: Based on what we see frequently
15 is people saying, well, I don't remember doing this or I
16 don't remember that. We're they are signing that lease,
17 does the person that actually gets that signature from
18 them, do they go over this language and explain what
19 everything means in that or is it just sort of this is
20 your lease and, you know, we're going to give you the
21 \$200 for a five year paid up or ten year paid up \$200 or
22 do you know?

23 ANITA DUTY: I can't speak for...I know that's
24

1 what we---.

2 MARY QUILLEN: But it seems to me like based on
3 the number of people that we have...over the years have
4 seen come in saying, well, I didn't know that it was in
5 lease or I didn't understand that I don't remember that,
6 you know, that if they had taken just a little bit of
7 more time to explain what that means because everybody
8 may not understand that what recoupable means or
9 that...you know, that it would be taken out or explain,
10 you know, that means that the first \$200 to your account
11 after production, you know, comes back to us to recoup
12 that \$200. Just a little PR thing that would make it a
13 little---.

14 ANITA DUTY: I can relay your message, but like
15 I said that's not my...that's not my job.

16 MARY QUILLEN: Yeah, I know. You're---.

17 ANITA DUTY: I mean, I don't think that any...I
18 mean, anything that we do that try to hide anything. I
19 mean---.

20 MARY QUILLEN: Yeah, just making sure---.

21 ANITA DUTY: But I will relay---.

22 MARY QUILLEN: ---to just kind of cover
23 yourself because when people come in we don't know what
24

1 has gone on behind the scenes, you know, when all of this
2 was taking place. Just like these folks this morning,
3 you know, we have no idea and this gentleman who doesn't
4 remember and he thinks it looks like his writing, but
5 he's not sure about his wife, you know, those kinds of
6 situation that would just, you know, make a little...make
7 them feel a little better.

8 MARK SWARTZ: I hate to...I hate to be---.

9 MARY QUILLEN: And I know---.

10 MARK SWARTZ: To have such a jaundice view of
11 human behavior, but, you know, let's assume you put in an
12 agreement I promise not to come into Court or before a
13 Board and say this isn't my signature. I mean, you know,
14 I hear stuff on a daily basis. You only see the tip of
15 the iceberg.

16 MARY QUILLEN: I understand that.

17 MARK SWARTZ: I understand that people should
18 not be surprised by terms. But I guarantee that people
19 know they're talking about eighth. They know they're
20 talking about a period of time and they know they're
21 talking about an up-front payment of X dollars. Now,
22 this is a...I don't know if you've seen any of the leases
23 that are executed---.

24

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1 MARY QUILLEN: No, we have...we never see any of
2 the leases.

3 MARK SWARTZ: ---not just by us but by others,
4 but it's pages of stuff, you know. There are so many
5 opportunities for people to say, I didn't understand this
6 or I didn't understand it.

7 MARY QUILLEN: I...I realize that.

8 MARK SWARTZ: And Anita will certainly convey
9 that message. But, you know, I wish there was a way that
10 we could enter into contracts so that we would never have
11 an argument down the road.

12 MARY QUILLEN: Exactly. But that's not going to
13 happen. It's human nature. I understand that. But---.

14 BUTCH LAMBERT: Anita, if you will carry that
15 message, we would appreciate it. Thank you.

16 MARK SWARTZ: She will definitely carry that
17 message.

18 ANITA DUTY: I will.

19 BUTCH LAMBERT: Mr. Sheffield.

20

21 JOHN SHEFFIELD: Yes. I do want to make one
22 more note, if I may. In EE-14, the older of the two
23 wells, I did elect to be a carried interest and I guess
24

1 this could be brought to the Board. As far as a vehicle
2 to understand how much production there is, you know,
3 where you're at as far as your 200% because that's what
4 you do in a carried such basis. I don't know of any
5 vehicles that are out there to help somebody follow that.
6 So, that's something that maybe needs to be considered
7 by the Board as far as, you know, here's the mcf and
8 here's your percentage. You've got to go track that and
9 what are we...what are we paying, you know, and what's
10 the going rate? I mean, do we have a standard as far as
11 an index we go by as far as payment? I mean, do you use
12 the nature average on the wellhead pricing? I don't
13 know. I mean, I know you have the Appalachian
14 differential in there. I guess, you've got the Dominion
15 index and things like that. Those are the things that we
16 kind of have to have in play and correct me if I'm wrong
17 on that, Mr. Asbury. Sorry, Mr. Asbury is busy.
18 (Inaudible). I didn't intend that. Sorry, David. But
19 really...and I understand well now you've agreed to this.
20 Well, that was in lieu of somebody coming and drilling
21 upon your property. I'm not trying to argue that point.
22 All I'm trying to say is there's really no way for
23 anybody to track where they're at, you know, and I

24

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1 understand the operator's point because there's nothing
2 there that tells them they have to. So, you know, it may
3 be upon the state. I don't know. That's why I'm bringing
4 it up to the Board.

5 BUTCH LAMBERT: Well, shortly, we're getting to
6 implement some on-line programs that may help you do
7 that. Hopefully, we can roll those out in February.
8 That's our goal. That you can go on-line from San
9 Antonio and check it yourself, hopefully. That's our
10 goal. But if that don't take care of your problem, we'll
11 continue to work on it. Thank you for letting us know.

12 JOHN SHEFFIELD: Okay. Thank you for your time.

13 BUTCH LAMBERT: Okay.

14 DAVID ASBURY: Mr. Chairman, if I might. This
15 is just for record keeping of the Board and the staff
16 here. On this petition, we've got a petition of 1334-02.
17 We're re-pooling it, which is not a problem. The
18 problem lies in the drilling of the second well with this
19 re-pooling. In the past, we have required the second
20 well to be its own docket number so that we can track it
21 properly. I know this is combined, but it's combined
22 after a time period. If it's an initial pooling of a
23 unit and it has two wells, fine. But this one, there was

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1 a pooling and now there's a re-pooling plus a second
2 well. So, the staff has a problem with this not being a
3 separate docket item to follow the pooling and tracking
4 of the second well in this unit.

5 BUTCH LAMBERT: Good point. Thank you, Mr.
6 Asbury, for pointing that out.

7 MARK SWARTZ: Well, let me address that, I don't
8 think it's a good point because I think when you issue a
9 pooling order pooling an Oakwood unit or a Middle Ridge
10 unit or whatever and this historically...my impression
11 has been what we have been doing. If you're going to
12 effect that unit by allowing another coalbed methane well
13 to be drilled in that unit, you need to modify the
14 original order so that we're all in the same docket and
15 we're on the same page. I don't agree with that at all.
16 I mean, I...how can you pool the same acreage twice for
17 coalbed methane wells? I mean, I just...you know, and
18 you're going to...the people who were originally pooled
19 are going to receive production out of this second well.
20 I mean, this makes no sense to have two pooling orders
21 for one unit. I mean, I...you know, we have gone back
22 historically and amended with additional numbers when we
23 drill additional wells and I...you know, if you're going

24

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1 to track this stuff and keep track of this stuff, I think
2 it needs to be under the original docket and it needs to
3 have the hyphen so that people know what has happened to
4 the people in...that own these tracks in this unit.

5 DAVID ASBURY: The hyphen would go with the
6 original pooling order for the first well if there's a
7 disbursement or some acreage change and you would have to
8 redo it the second time. There's no...there's no history
9 of where we've re-pooled and put the second well at the
10 same time. We have pooled and re-pooled. But in this
11 case, what if there has been a disbursement on the first
12 well already? Then, the second question is, how about
13 the elections that come with the second well to be
14 drilled? So, historically, we have always had the second
15 docket number to track the second well in the unit.

16 MARK SWARTZ: I really feel that that's
17 inaccurate. I mean, I feel that historically we've never
18 done this. I can...you know, I'm prepared to
19 go---.

20 ANITA DUTY: CNX has never done that.

21 MARK SWARTZ: And I'm prepared to go back and
22 find you hundreds perhaps of examples where we have
23 drilled the second well and if we want, you know, to

24

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1 offer...you know, if we want a second well and they're
2 going to be elections, we're back here under the same
3 docket number. I mean, we've never done this before. I
4 can't speak for anybody else. But---.

5 ANITA DUTY: We've never...it's never been an
6 issue until...I mean, we had a discussion between the
7 three of us. I mean, I'm with Mark on the---.

8 MARK SWARTZ: I mean, this makes no sense to me.

9 MARY QUILLEN: I have one question. Has EE-14A
10 ever been pooled?

11 MARK SWARTZ: No.

12 MARY QUILLEN: Okay.

13 MARK SWARTZ: But it doesn't get pooled.
14 E-14...EE-14 has been pooled.

15 DAVID ASBURY: The unit.

16 MARK SWARTZ: The EE-14 well was drilled and now
17 we're going to drill another well in this pooled unit and
18 share the revenue from that well among the same people
19 that are receiving money from the first well.

20 MARY QUILLEN: And this happens to fall in that
21 1A and 5A where there was that change.

22 MARK SWARTZ: But that's...I mean---.

23 JOHN SHEFFIELD: That's-.

24

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1 MARK SWARTZ: ---that has...you know, that
2 could...what Anita and I are saying is that we have been
3 here on many occasions where there's no mapping change.
4 There's no nothing and the only reason we're re-pooling
5 is to drill a second well and allow that production to
6 occur and give people and election opportunity for that
7 second well. We've been here many, many times under the
8 original docket number to do that and we've modified the
9 order.

10 BUTCH LAMBERT: I guess we'll need some---.

11 MARK SWARTZ: You know, and...you know, if I had
12 know this was going to come up today---.

13 DIANE DAVIS: What are some of those docket
14 numbers?

15 MARK SWARTZ: ---we would have brought, you
16 know, an example. We'll bring you a list next...next
17 week.

18 DIANE DAVIS: How many are there? I mean---.

19 MARK SWARTZ: Well, there have got to be tons.

20 ANITA DUTY: Where we've added a second well?

21 DIANE DAVIS: And pooled it.

22 MARK SWARTZ: There has got to be tons of them.
23 I mean, I've been here many---.

24

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1 ANITA DUTY: Re-pooling...we have tons of re-
2 poolings.

3 DIANE DAVIS: I know you've tons of re-poolings.
4 And add the second well?

5 ANITA DUTY: And we put the second well in there
6 with it.

7 DIANE DAVIS: You could only give me one docket
8 number the last time.

9 ANITA DUTY: You're talking about the
10 (inaudible) Justus who has elections.

11 BUTCH LAMBERT: Mr. Asbury, are you aware of any
12 that has happened in the past---?

13 DAVID ASBURY: One.

14 BUTCH LAMBERT: One.

15 DAVID ASBURY: But the difference...the
16 difference being that CNX has a field unit order for
17 increase drilling with the Oakwood field and that's done
18 with coalbed methane's automatically with some of the
19 petitions. But for the pooling of a unit, there has only
20 been one to our knowledge that has happened from CNX.
21 Now, it may change.

22 ANITA DUTY: You're saying where we just
23 specifically said we're allowing an election?
24

1 DAVID ASBURY: Yes.

2 ANITA DUTY: But that's only because the way you
3 wanted me to do it. You're talking about EE-13?

4 DAVID ASBURY: I'm talking about this one. He
5 can be EE-13 as well. It does follow that. For tracking
6 reasons, the unit...the unit and the well get their
7 pooling a unit and it initially has one well. We follow
8 that docket item 01, 02 or 03 as disbursements or things
9 change with that unit and with those elections. If a
10 second well or an increased density well comes in, it has
11 its own docket number and that's tracked with that
12 increased density well.

13 MARK SWARTZ: Well, we'll just go into our
14 records. I mean, I...as we sit here today, and I mean
15 maybe I'm up with the fairies, you know, and they will
16 come back and say I agree with you, but I think we've got
17 a lot of these where we...because we can't offer people
18 as a company an election option. You know, when we drill
19 second wells and have to give people an election option,
20 we have to come back to you to get an order that gives
21 them that time period. I mean, I...so, we'll...you know,
22 we'll go through our records. But, I mean, my
23 recollection is it's going to generate a pretty long

24

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1 list.

2 DAVID ASBURY: Well, when you come back to pool
3 those, you ask for another docket item.

4 MARK SWARTZ: Boy, I don't think so.

5 BUTCH LAMBERT: Okay. Well, let's move on with
6 this one and ask that you produce those---.

7 MARK SWARTZ: We'll go back into our records and
8 we'll...we'll look at that.

9 BUTCH LAMBERT: ---records and the next
10 hearing. Is that okay?

11 DAVID ASBURY: Yes, sir.

12 BUTCH LAMBERT: All right. So, I need a
13 motion...oh, I'm sorry. Mr. Swartz, anything further?

14 MARK SWARTZ: No.

15 BUTCH LAMBERT: Mr. Sheffield, anything further?

16 JOHN SHEFFIELD: No.

17 BUTCH LAMBERT: I guess the motion that I would
18 ask for is that we...if I get a motion to approve...that
19 we approve on the condition that the...CNX will supply
20 records of this being done many times in the past.

21 MARK SWARTZ: We'll...we'll be back here on
22 Tuesday either confessing that I, you know, was up with
23 the fairies or here is the examples.

24

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1 BUTCH LAMBERT: Okay. So, do I have a motion?
2 MARY QUILLEN: Motion to approve.
3 BRUCE PRATHER: Second.
4 BUTCH LAMBERT: As...as stated?
5 MARY QUILLEN: As stated. I'm sorry, I
6 apologize. As stated.
7 BUTCH LAMBERT: Okay. A motion to approve. Do
8 I have a second?
9 BRUCE PRATHER: Second.
10 BUTCH LAMBERT: I have a motion and a second.
11 Any further discussion?
12 (No audible response.)
13 BUTCH LAMBERT: All those in favor, signify by
14 saying yes.
15 (All members signify by saying yes, but Katie
16 Dye.)
17 BUTCH LAMBERT: Opposed, no.
18 KATIE DYE: I'll abstain.
19 BUTCH LAMBERT: One abstention, Mr. Dye.
20 Calling docket item twenty-two, a petition from CNX Gas
21 Company, LLC for the pooling of coalbed methane unit
22 O-80. This is docket number VGOB-10-1116-2849. All
23 parties wishing to testify, please come forward.
24

1 MARK SWARTZ: Mark Swartz and Anita Duty.

2 BUTCH LAMBERT: You may proceed, Mr. Swartz.

3 MARK SWARTZ: If I could incorporate Anita's
4 testimony from the prior hearing with regard to the
5 applicant, designated operator, her employment and
6 standard lease terms, that would be helpful.

7 BUTCH LAMBERT: Accepted.

8 MARK SWARTZ: Thank you.

9

10 ANITA DUTY

11 having been duly sworn, was examined and testified as
12 follows:

13 DIRECT EXAMINATION

14 QUESTIONS BY MR. SWARTZ:

15 Q. Anita, you need to state your name for
16 us, again.

17 A. Anita Duty.

18 Q. And you're still under oath?

19 A. Yes.

20 Q. Okay. This is a pooling, correct?

21 A. Yes.

22 Q. Is it in the Nora?

23 A. It is.

24

--

1 Q. How many acres in the unit?
2 A. 58.65.
3 Q. How many wells?
4 A. One.
5 Q. Is it a frac well?
6 A. Yes.
7 Q. Is it in the drilling window?
8 A. Yes.
9 Q. What did you do to notify people that we
10 were going to be having a hearing today?
11 A. Mailed by certified mail return receipt
12 requested on October the 15th, 2010. I published the
13 notice and location exhibit in the Bluefield Daily
14 Telegraph on October the 27th, 2010.
15 Q. Are you going to provide Mr. Absury with
16 your certificates of service and proof of publication in
17 that regard?
18 A. Yes.
19 Q. When you publish, did you publish both
20 the notice and the little map A1?
21 A. Yes.
22 Q. Okay. Do you want to add any respondents
23 today?
24

1 A. No.

2 Q. Do you want to dismiss any?

3 A. No.

4 Q. What is the applicant's standing in this
5 unit with regard...as shown by Exhibit A, page two?

6 A. We've leased 100% of the coal claim,
7 56.8457% of the oil and gas claim and seeking to pool
8 43.1543% of the oil and gas claim.

9 Q. Have you provided the Board with a cost
10 estimate for this well?

11 A. Yes.

12 Q. What's the amount?

13 A. \$303,540.12 with an estimated depth of
14 1,809 feet.

15 Q. Okay. You don't have a...you do not have
16 a permit yet, correct?

17 A. No permit. Yeah.

18 Q. Okay. Is escrow required in this unit?

19 A. Yes. It's actually Tracts 1A through 1U.

20 Q. Okay. And is this just traditional
21 conflicts?

22 A. Yes. Well, I think there are some actual
23 title conflicts in there maybe.

24

1 Q. Okay. Let's look here. Just from a
2 quick review of Exhibit E. It looks like there all what
3 we would call traditional conflicts, correct?
4 A. (Inaudible).
5 Q. Okay. Oh, I see. Okay. Until we
6 get...so, it's from 1A through---?
7 A. 1R.
8 Q. ---1R and then we've got---?
9 A. 1S and 1T, 4A---.
10 Q. Have a title---?
11 A. ---have a title issue, yes.
12 Q. Okay. Okay. So, that would be an
13 additional reason in those two units, correct?
14 A. Yes.
15 Q. Or those two tracts?
16 A. Yes.
17 Q. Are there any split agreements?
18 A. Yes.
19 Q. And those pertain to which tracts?
20 A. 1F and 1G.
21 Q. And have you shown the people that are
22 subjected to the split agreements in your Exhibit EE?
23 A. Yes.
24

1 Q. Okay. Is it your opinion that a pooling
2 order pooling the folks that you've identified as
3 respondents coupled with the split agreements, coupled
4 with the leases that you have been able to obtain will
5 protect the correlative rights of everyone?

6 A. Yes.

7 Q. Is it your opinion that drilling a frac
8 well in the drilling window of this O-80 unit is a
9 reasonable way to develop the coalbed methane under this
10 Nora unit?

11 A. Yes.

12 MARK SWARTZ: That's all I have, Mr. Chairman.

13 BUTCH LAMBERT: Any questions from the Board?

14 (No audible response.)

15 BUTCH LAMBERT: Do I have a motion?

16 MARY QUILLEN: Motion to approve.

17 BRUCE PRATHER: Second.

18 BUTCH LAMBERT: I have a motion and a second.

19 Any further discussion?

20 (No audible response.)

21 BUTCH LAMBERT: All those in favor, signify by
22 saying yes.

23 (All members signify by saying yes, but Katie
24

1 Dye.)

2 BUTCH LAMBERT: Opposed, no.

3 (No audible response.)

4 BUTCH LAMBERT: Thank you, Mr. Swartz. It's

5 approved.

6 MARK SWARTZ: Thank you all.

7 SHARON PIGEON: Do you abstain?

8 KATIE DYE: I'll abstain. I'm sorry.

9 BUTCH LAMBERT: One abstention Mrs. Dye.

10 BILL HARRIS: I probably need to go to. I'll

11 wait until he gets back so we'll have coverage.

12 BUTCH LAMBERT: No, let's just take a five

13 minute break because Sharon needs to go. We all need a

14 break. We're going to take a five minute break. Five

15 minutes, please. We're running way behind schedule.

16 (Break.)

17 BUTCH LAMBERT: Okay, ladies and gentlemen,

18 we'll get started back. The next item on the docket is

19 item twenty-three, a petition from Range Resources-Pine

20 Mountain, Inc. for a well location exception for proposed

21 conventional gas well V-530299, docket number VGOB-10-

22 1116-2852. All parties wishing to testify, please come

23 forward.

24

--

1 TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn
2 for Range Resources-Pine Mountain, Inc.

3 (Gus Jansen and Phil Horn are duly sworn.)

4 TIM SCOTT: Thank you.

5 BUTCH LAMBERT: You may proceed, Mr. Scott.

6

7 PHIL HORN

8 having been duly sworn, was examined and testified as
9 follows:

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SCOTT:

12 Q. Mr. Horn, will you please state your
13 name, by whom you're employed and your job description?

14 A. My name is Phil Horn. I'm the land
15 manager for Range Resources-Pine Mountain, Inc. and one
16 of my job descriptions is to get wells drilled...
17 permitted and drilled.

18 Q. Are you familiar with this application?

19 A. Yes, I am.

20 Q. Did you participate in the preparation of
21 the application?

22 A. Yes, I did.

23 Q. Are you familiar with the ownership of
24

--

1 the minerals underlying this tract?

2 A. Yes, I am.

3 Q. And who owns the oil and gas under this
4 unit?

5 A. Range Resources-Pine Mountain, Inc. owns
6 100% of the mineral, oil and gas rights in this tract.

7 Q. Who operates well P-210?

8 A. EQT Production Company.

9 Q. Do you also participate in the operation
10 of that well?

11 A. Yes, we do.

12 Q. So, you're both an owner and an operator,
13 is that right?

14 A. Yes, we are.

15 Q. How was notice of this hearing provided
16 to the parties listed on Exhibit B?

17 A. By certified mail.

18 Q. We've provided proof of that mailing to
19 the Board?

20 A. Yes, you have.

21 TIM SCOTT: That's all I have from Mr. Horn.

22 BUTCH LAMBERT: Questions from the Board?

23 (No audible response.)

24

--

1 BUTCH LAMBERT: You may continue, Mr. Scott.

2 TIM SCOTT: Thank you.

3

4

5

6

7 GUS JANSEN

8 having been duly sworn, was examined and testified as
9 follows:

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. SCOTT:

12 Q. Mr. Jansen, your name, by whom you're
13 employed and your job description.

14 A. My name is Gus Jansen. I'm employed by
15 Range Resources-Pine Mountain, Inc. as the manager of
16 geology.

17 Q. Are you familiar with this application?

18 A. Yes, I am.

19 Q. And would please tell the Board why we're
20 seeking a well location exception today?

21 A. Yes. If the Board will refer to Exhibit
22 AA, you'll see the location of proposed well 530299.
23 This well is being positioned due to topographic

24

--

1 restraints and to keep us a feasible location. If we
2 were not able to drill this well at this location, we
3 would result in approximately 110.08 acres of stranded
4 acreage.

5 Q. What's the proposed depth of this well?

6 A. 6,403 feet.

7 Q. And the potential loss of reserves if the
8 application were not granted?

9 A. 450 million cubic feet of gas.

10 Q. So, in your opinion, if this application
11 is granted, it would prevent waste, protect correlative
12 rights and promote conservation, is that correct?

13 A. That is correct.

14 TIM SCOTT: That's all I have for Mr. Jansen.

15 BUTCH LAMBERT: Any questions from the Board?

16 (No audible response.)

17 BUTCH LAMBERT: Anything further, Mr. Scott?

18 TIM SCOTT: That's all I have, Mr. Chairman.

19 BUTCH LAMBERT: Do I have a motion?

20 MARY QUILLEN: Motion to approve.

21 BRUCE PRATHER: Second.

22 BUTCH LAMBERT: I have a motion and a second.

23 Any further discussion?

24

--

1 (No audible response.)

2 BUTCH LAMBERT: All those in favor, signify by

3 saying yes.

4 (All members signify by saying yes.)

5 BUTCH LAMBERT: Opposed, no.

6 (No audible response.)

7 BUTCH LAMBERT: Thank you, Mr. Scott. It's

8 approved.

9 TIM SCOTT: Thank you.

10 BUTCH LAMBERT: Calling item twenty-four on the

11 docket. It's a petition from Range Resources-Pine

12 Mountain, Inc. for a well location exception for proposed

13 conventional gas well V-530218, docket number VGOB-10-

14 1116-2853. All parties wishing to testify, please come

15 forward.

16 TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn

17 for Range Resources-Pine Mountain, Inc.

18 BUTCH LAMBERT: You may proceed, Mr. Scott.

19 TIM SCOTT: Thank you.

20

21 PHIL HORN

22 having been duly sworn, was examined and testified as

23 follows:

24

1 Q. So, you're both an owner and an operator,
2 is that right?

3 A. That's correct.

4 Q. And how as notice of this hearing
5 provided to the parties listed on Exhibit B?

6 A. By certified mail.

7 BUTCH LAMBERT: It's the wrong exhibit.

8 PHIL HORN: Oh, okay.

9 BUTCH LAMBERT: You're going to have to start
10 all over, Phil.

11 (Phil Horn passes out the exhibits.)

12 TIM SCOTT: Have they got it now?

13 GUS JANSEN: Yeah.

14 Q. Okay. Mr. Horn, again, would you please
15 tell us if you're familiar with this application?

16 A. Yes, I am.

17 Q. Are you familiar with the ownership of
18 the unit, is that right?

19 A. Yes, we own a 100% of the oil and gas.
20 There's a small portion of a third party of the oil and
21 gas in the northeast corner.

22 Q. And those owners are set forth on Exhibit
23 B, is that right?

24

--

1 A. That's correct.

2 Q. Okay. Who operates the wells from which
3 the well location exception is sought today?

4 A. 21677 to the north is operated by Range
5 Resources. B-530217 to the southeast is operated by
6 Range Resources. 2266 to the south is operated by
7 Equitable Production Company...EQT Production.

8 Q. So, again, you're both an owner and
9 operator, is that right?

10 A. That's correct.

11 Q. And notices of this hearing were provided
12 how?

13 A. By certified mail.

14 Q. We provided proof of that mailing to the
15 Board, is that right?

16 A. Yes, you have.

17 TIM SCOTT: Okay. That's all I have for Mr.
18 Horn.

19 BUTCH LAMBERT: Any questions from the Board?

20 MARY QUILLEN: Mr. Chairman, have just one
21 question. Why could you not move it to the west?

22 PHIL HORN: Mr. Jansen will answer that
23 question, if that's okay.

24

1 MARY QUILLEN: Oh, okay. Okay, sorry.

2 PHIL HORN: Yes, ma'am.

3 MARY QUILLEN: I just go ahead of myself. Ahead
4 of you all. I'm trying to move forward.

5 BUTCH LAMBERT: You may continue, Mr. Scott.

6 TIM SCOTT: Thank you.

7

8 GUS JANSEN

9 having been duly sworn, was examined and testified as
10 follows:

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SCOTT:

13 Q. Mr. Jansen, your name, by whom you're
14 employed and your job description?

15 A. My name is Gus Jansen. I'm employed by
16 Range Resources-Pine Mountain, Inc. as the manager of
17 geology.

18 Q. Are you familiar with this application?

19 A. Yes, I am.

20 Q. And would you please tell the Board why
21 we're seeking a well location exception today?

22 A. Yes. Again, if the Board will refer to
23 Exhibit AA, you'll see the location of a proposed well

24

--

1 530218. This well has been located at this location to
2 minimize the amount of drained acreage that would be
3 otherwise left. If we move the well to the west, we
4 would have to move it probably in the range of about
5 1,000 feet to not be an exception with any of these
6 offsetting wells and would result in any more stranded
7 acreage the way we have it proposed now. And we do also
8 propose additional drilling to the west at a future date.

9 Q. How much acreage would stranded here?

10 A. If we do not drill this well, this
11 acreage would lose approximately 109.42 acres.

12 Q. And what's the proposed depth of this
13 well?

14 A. The well depth is proposed at 4,858 feet.

15 Q. And what would be the loss of reserves if
16 the application were not granted?

17 A. 350 million cubic feet of gas.

18 Q. And in your opinion, if this application
19 is granted, it would prevent waste, promote conservation
20 and protect correlative rights, is that correct?

21 A. That is correct.

22 TIM SCOTT: That's all I have, Mr. Chairman.

23 BUTCH LAMBERT: Questions from the Board?

24

--

1 (No audible response.)

2 BUTCH LAMBERT: Do I have a motion?

3 MARY QUILLEN: Motion to approve.

4 BRUCE PRATHER: Second.

5 BUTCH LAMBERT: I have a motion and a second.

6 Any further discussion?

7 (No audible response.)

8 BUTCH LAMBERT: All those in favor, signify by

9 saying yes.

10 (All members signify by saying yes.)

11 BUTCH LAMBERT: Opposed, no.

12 (No audible response.)

13 BUTCH LAMBERT: Thank you, Mr. Scott. It's

14 approved.

15 TIM SCOTT: Thank you.

16 BUTCH LAMBERT: Docket item twenty-five is a

17 petition from Range Resources-Pine Mountain, Inc. for a

18 well location exception for proposed conventional gas

19 well 900012, docket number VGOB-10-1116-2854. All

20 parties wishing to testify, please come forward.

21 TIM SCOTT: Phil Horn, Gus Jansen and Tim Scott

22 for Range Resources-Pine Mountain, Inc.

23 BUTCH LAMBERT: You may proceed, Mr. Scott.

24

1 TIM SCOTT: Thank you.

2

3 PHIL HORN

4 having been duly sworn, was examined and testified as
5 follows:

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. SCOTT:

8 Q. Mr. Horn, your name, by whom you're
9 employed and your job description, please?

10 A. My name is Phil Horn. I'm employed by
11 Range Resources-Pine Mountain, Inc. as land manager and
12 one of my job descriptions is to get wells cleared and
13 drilled.

14 Q. Are you familiar with this application?

15 A. Yes, I am.

16 Q. Are you familiar with the ownership of
17 the minerals underlying this unit?

18 A. Yes, I am.

19 Q. And are those individuals set forth on
20 Exhibit B?

21 A. That's correct.

22 Q. Who operates well number 82615?

23 A. Range Resources-Pine Mountain, Inc.

24

--

1 Q. And in this particular unit, again,
2 you're both an owner and operator, is that right?

3 A. That's correct.

4 Q. Now, in this unit, we do have some
5 unknowns, is that correct?

6 A. That's correct.

7 Q. And you've provided Mr. Asbury a letter
8 indicating what efforts you've made to locate these
9 individuals, is that right?

10 A. I'm going to give it to them when we pool
11 it next.

12 Q. Okay. Okay.

13 A. I will, yes.

14 TIM SCOTT: I'm ahead of myself, Ms. Quillen.

15 Q. How do we...how do we notify the parties
16 listed on Exhibit B of this hearing?

17 A. By certified mail and also published in
18 the Dickenson Star.

19 Q. And we've provided proof of mailing and
20 proof of publication, is that correct?

21 A. That's correct.

22 TIM SCOTT: Okay. That's all I have for Mr.
23 Horn.
24

1 BUTCH LAMBERT: Mr. Horn, what's...what's going
2 to be in that letter that you give Mr. Asbury on---?

3 PHIL HORN: It's going to be my affidavit of due
4 diligence where on Tract 5 has some unknowns and
5 unlocateables.

6 Q. And, Mr. Horn, in this particular unit,
7 we've conducted a title search, is that right?

8 A. That's correct.

9 Q. So, we've attempted to locate these
10 individuals and you've made an enquiry with all of the
11 heirs of these individuals or relatives that you could
12 locate, is that right?

13 A. That's correct.

14 TIM SCOTT: Okay.

15 BUTCH LAMBERT: Any other questions from the
16 Board?

17 BRUCE PRATHER: I've got a question.

18 BUTCH LAMBERT: Mr. Prather.

19 BRUCE PRATHER: Looking at your map here, it
20 looks like your well is sitting right under a major power
21 line.

22 GUS JANSEN: I was going to address that in my
23 testimony. But that power line has been abandoned. That
24

1 was a power line operated by Clinchfield Coal Company and
2 it's no longer in service. It may a good location for a
3 well right there though.

4 (Laughs.)

5 BUTCH LAMBERT: You may continue, Mr. Scott.

6 TIM SCOTT: Thank you.

7

8 GUS JANSEN

9 having been duly sworn, was examined and testified as
10 follows:

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SCOTT:

13 Q. Mr. Jansen, your name, by whom you're
14 employed and your job description.

15 A. My name is Gus Jansen. I'm employed by
16 Range Resources-Pine Mountain, Inc. as the manager of
17 geology.

18 Q. Are you familiar with this application?

19 A. Yes, I am.

20 Q. And please tell the Board why we're
21 seeking a well location exception for this particular
22 well?

23 A. Again, referring to Exhibit AA, this is

24

--

1 the location of well 900012. There is, in fact, no legal
2 location in this general vicinity to locate a well. We
3 have located this well in the abandoned right-of-way of
4 the power line. It was a suitable location that we felt
5 like we could build a location there. Otherwise, if we
6 were not able to drill on this location would be
7 approximately 92.59 acres of stranded acreage left from
8 the offsetting drill unit.

9 Q. We had originally put in our application
10 that the proposed depth of this well was 5416 feet, is
11 that right?

12 A. That is correct.

13 Q. And that has changed, is that correct?

14 A. That is correct.

15 Q. Please tell the Board why.

16 A. That was the permitted depth, which would
17 have drilled the well to a depth through the Lower Huron,
18 Horizon and we have since made the decision to drill the
19 well shallower only through the Berea Horizon, which our
20 new depth will be 4,503 feet. I'm looking forward to
21 developing that Lower Huron is a horizontal unit in the
22 future.

23 Q. That is your testimony 4503?

24

--

1 A. That is correct.

2 Q. Okay. What's the potential loss of
3 reserves if this application is not granted today?

4 A. 350 million cubic feet of gas.

5 Q. And then if the Board grants our
6 application, prevent waste and protect correlative rights
7 and promote conservation is that also correct?

8 A. That is correct.

9 TIM SCOTT: That's all I have for Mr. Jansen.

10 BUTCH LAMBERT: Questions from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: Anything further, Mr. Scott?

13 TIM SCOTT: That's all I have, Mr. Chairman.

14 BUTCH LAMBERT: Do I have a motion?

15 DAVID ASBURY: Mr. Chairman.

16 BUTCH LAMBERT: Oh, sorry, Mr. Asbury.

17 DAVID ASBURY: The staff and the Board had
18 received a written letter from a Mr. Tony Jones. He
19 wouldn't be present today, would he?

20 PHIL HORN: No, he's not here.

21 DAVID ASBURY: He asked to share this with the
22 Board. He has four comments. One, about protection of
23 privately owned gas, royalty pooling and well...and the
24

1 well number location in the past...I have one copy and I
2 will make the Board additional copies, if you'd like.
3 He's...he's objecting to both petitions as presented of
4 2854. But as I read through his objections, I understand
5 that he's at least a party with Range Resources.

6 PHIL HORN: When is that letter dated? Does it
7 have a date?

8 DAVID ASBURY: We received it December the 10th,
9 2010.

10 PHIL HORN: He mailed me a lease after that, I
11 believe. But, yes, he has leased.

12

13 DAVID ASBURY: Okay. He goes through quite a
14 dissertation here of the Virginia Gas and Oil laws that
15 have failed to protect ownership and that there's several
16 wells that have been drilled near or on his property. He
17 says his point is that both wells would intercept the
18 property under current well spacing laws and larger
19 drilling units and would result in royalty payments being
20 due, which is correct. He says one-eighth royalty
21 encumbered with production and marketing expenses is
22 unfair. At the very least if an owner of gas rights is
23 forced to accept one-eighth, than it should be

24

--

1 encumbered. He said in that point that he had no
2 authority to negotiate royalty. "I've heard all of the
3 arguments about why the company deserves seven-eighths or
4 more, but I am not buying into that. Effectively, the
5 bottom line from Range Resources-Pine Mountain, Inc. was
6 take our offer or be force pooled. In my opinion there
7 can be no good faith negotiations because the small gas
8 rights owners had no leverage from which to negotiate and
9 is forced to do so from a position of weakness
10 effectively favoring the gas companies. Because of the
11 inevitability of being force pooled, I signed a lease
12 with Range Resources. I did so because I see this as the
13 best hope of seeing benefits from our gas rights." It
14 says, "Mr. Horn, Range's agent, made a proposal that
15 would move well 900012 closer to our property, thereby,
16 taken into 11.40 acres instead of the originally proposed
17 1.85 acres. My concern was that our property was being
18 isolated, which would lock out any future production of
19 gas that would benefit us. Mr. Horn also proposed a
20 second well for a later date on the southeast end of the
21 property taking the larger acreage. Even with
22 concessions, I think we have suffered a loss of potential
23 gas royalty taken from us both by the before mentioned

24

--

1 1977 wells and the spacing of the newly proposed wells.
2 My point is that a lot of 58.14 acres will yield no
3 royalty due to well spacing even though it may have
4 productive wells surrounding it. I think there is a need
5 to be...to find some remedy in the Virginia Gas laws that
6 protect all small acreage and privately owned lands like
7 ours." The fourth point on the well, it says, "Though I
8 think more acreage from our property should be included
9 in the proposed well unit for 900012, I understand from
10 the company's point of view why they wouldn't want to
11 move closer to the 1977 wells. I do not object to the
12 well location exception for this well especially if the
13 second proposed future well mentioned over can be
14 allowed. Again, my primary concern is that our property
15 not be isolated and we will not be denied payment for gas
16 that is rightfully ours. Respectfully, Tony Jones, 147
17 Bartlett Road, Haysi, Virginia." He did ask that be put
18 into the record in his absence.

19 BUTCH LAMBERT: Mr. Horn, it sounds like...even
20 though he's not happy, you tried to work with him and we
21 appreciate that.

22 PHIL HORN: Well, he...people asked you what
23 happens if I don't sign a lease and I explain to them the
24

1 about pooling orders. They come back and say, well, he
2 said that if I didn't lease I would force pooling. He
3 asked me a question and I gave him an answer.
4 (Inaudible.)

5 BUTCH LAMBERT: Okay. Any further questions?

6 TIM SCOTT: That was not a cram down though, Mr.
7 Horn, was it not? I mean, you gave him...you told him
8 what would eventually---.

9 PHIL HORN: Well, yes, he...yes.

10 TIM SCOTT: Yeah, okay. That's all.

11 BUTCH LAMBERT: I understand from the letter
12 though that you moved the well to help accommodate him.

13 PHIL HORN: Yes, initially, we were just barely
14 clipping his property. That's correct.

15 BUTCH LAMBERT: okay.

16 PHIL HORN: And he was a victim of a former lack
17 of spacing. The '77 wells that he's referred to are
18 north of his property, which Range has nothing to do with
19 that. We...that's not our...we couldn't...that's just
20 how it was at the time.

21 BUTCH LAMBERT: Any further discussion or
22 questions from the Board?

23 (No audible response.)

24

--

1 BUTCH LAMBERT: Do I have a motion?

2 MARY QUILLEN: Motion to approve.

3 BRUCE PRATHER: Second.

4 BUTCH LAMBERT: I have a motion and a second.

5 Any further discussion?

6 (No audible response.)

7 BUTCH LAMBERT: All those in favor, signify by

8 saying yes.

9 (All members signify by saying yes.)

10 BUTCH LAMBERT: Opposed, no.

11 (No audible response.)

12 BUTCH LAMBERT: Thank you, Mr. Scott. That's

13 approved. Item twenty-six is a petition from Range

14 Resources-Pine Mountain, Inc. for establishment of a

15 112.69 acre drilling unit and pooling of proposed well

16 900012, docket number VGOB-10-1116-2855. All parties

17 wishing to testify, please come forward.

18 TOM MULLINS: Mr. Chairman, not to take things

19 out of order. I represent GeoMet and we're fifty and

20 fifty-one on the docket. Given the hour, before I call

21 my folks to come down, I thought I'd ask whether it would

22 be best to tell them to come back next week.

23 BUTCH LAMBERT: If the Board is okay, I'd like

24

1 to try to stay a little late today and---.

2 TOM MULLINS: Okay.

3 BUTCH LAMBERT: ---get through all if we can

4 because we're so far behind and next week is going to put

5 us even further behind.

6 TOM MULLINS: That's fine.

7 BUTCH LAMBERT: So---.

8 TOM MULLINS: We're willing to do it.

9 BUTCH LAMBERT: But that far down, I'm not for

10 sure.

11 TOM MULLINS: That's why I asked.

12 TIM SCOTT: That's usually my position. I'm

13 glad it's not me.

14 SHARON PIGEON: Ask Tim how you would handle

15 this.

16 TIM SCOTT: You have to offer somebody to give

17 them a new car.

18 (Laughs.)

19 SHARON PIGEON: Maybe you can bribe Tim to let

20 you take over his spot.

21 BUTCH LAMBERT: It's going to be a shot in the

22 dark, Mr. Scott, if we get there.

23 SHARON PIGEON: Ask Mr. Kaiser how quickly his

24

1 business---.

2 BUTCH LAMBERT: Yeah, how...Jim, how quick can
3 we get through yours?

4 SHARON PIGEON: Can we combine all of yours into
5 one?

6 (Laughs.)

7 JIM KAISER: No. I'd say it's going to take me
8 about two hours roughly or maybe less.

9 DAVID ASBURY: I have the keys to the conference
10 room, if that makes any difference.

11 BUTCH LAMBERT: Yeah, we'll go to 5:00
12 absolutely. Yeah, we'll go to 5:00. If we have just a
13 few left, we'll go a little further.

14 TOM MULLINS: I only have two.

15 BUTCH LAMBERT: Okay. Okay, Mr. Scott, you may
16 proceed.

17

18

19

20

21 PHIL HORN

22 having been duly sworn, was examined and testified as
23 follows:

24

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1 DIRECT EXAMINATION

2 QUESTIONS BY MR. SCOTT

3 Q. Mr. Horn, would you please state your
4 name, by whom you're employed and your job description?

5 A. My name is Phil Horn. I'm land manager
6 for Range Resources-Pine Mountain, Inc. and one of my job
7 descriptions is to get these wells permitted and ready to
8 drill.

9 Q. So, this is the pooling of the well that
10 we just sought a well location exception on, is that
11 right?

12 A. That's correct.

13 Q. And this unit is subject to statewide
14 spacing, is that correct?

15 A. That's correct.

16 Q. So, it has a 112.69 acres, is that also
17 correct?

18 A. That's correct.

19 Q. And Range Resources has drilling rights
20 in this unit, is that right?

21 A. Yes, we do.

22 Q. Are we going to dismiss any parties
23 listed on Exhibit B-3 today?

24

--

1 A. Yes, we are. I passed out revised
2 exhibits, but Tony and Wanda Jones, Conrad Jones and Greg
3 Jones have signed leases since we applied.

4 Q. Okay. Have you attempted to reach an
5 agreement with the other parties responded?

6 A. Yes, we have.

7 Q. And what percentage of the unit does
8 Range Resources now have under lease?

9 A. 98.3133333%

10 Q. And how was notice of this hearing
11 provided to those parties listed on Exhibit B?

12 A. By notice was published in the Dickenson
13 Star and by certified mail.

14 Q. And we've provided proof of that...of
15 both to the Board, is that right?

16 A. That's correct.

17 Q. Do we have unknown owners in this unit?

18 A. Yes, we have.

19 Q. And you had passed out a letter to Mr.
20 Asbury indicating what efforts you've made to locate
21 these parties, is that correct?

22 A. Yes.

23 Q. And due diligence was exercised, is that

24

--

1 correct?

2 A. Yes, it was.

3 Q. Okay. Is Range Resources authorized to

4 conduct business in the Commonwealth?

5 A. Yes, we are.

6 Q. Is there a blanket bond on file?

7 A. Yes, there is.

8 Q. And if you were able to reach an

9 agreement with the individuals listed on Exhibit B-3,

10 what would the terms be that you would offer to the

11 unleased parties?

12 A. Thirty dollars per acre for a five year

13 paid up lease that provides for a one-eighth royalty.

14 Q. And do you think this is a fair

15 compensation for a lease in this are?

16 A. In this area, yes, I do.

17 Q. Okay. What percentage of the oil and gas

18 estate is Range Resources seeking to pool today?

19 A. 1.6866667%.

20 Q. Okay. And we indicated earlier that

21 we've got unknowns, is that right?

22 A. That's correct.

23 Q. So, we've got an escrow requirement?

24

1 A. That's right.

2 Q. We've provided an Exhibit B and E with
3 our application, is that right?

4 A. That's correct.

5 Q. What tract or tracts is subjected to
6 escrow?

7 A. Tract 5.

8 Q. And what's the percentage of the unit
9 subjected to escrow?

10 A. .8433333%.

11 Q. Are you requesting the Board to pool the
12 parties who are unleased?

13 A. That's correct.

14 Q. Are you also requesting that Range
15 Resources be named operator for this unit?

16 A. Yes, we are.

17 Q. And what would be the address that
18 individuals who are making elections with...send such
19 election responses?

20 A. It would be Range Resources-Pine
21 Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

22 Q. This is for all communications, is that
23 right?

24

--

1 A. That's right.

2 TIM SCOTT: Okay. That's all I have for Mr.
3 Horn.

4 BUTCH LAMBERT: Any questions from the Board?

5 (No audible response.)

6 BUTCH LAMBERT: You may continue, Mr. Scott.

7 TIM SCOTT: Thank you.

8

9 GUS JANSEN

10 having been duly sworn, was examined and testified as
11 follows:

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. SCOTT:

14 Q. Mr. Jansen, your name, by whom you're
15 employed and your job description?

16 A. My name is Gus Jansen. I'm employed by
17 Range Resources-Pine Mountain, Inc. as the manager of
18 geology.

19 Q. Are you familiar with this application,
20 is that right?

21 A. Yes, I am.

22 Q. And, again, would you tell the Board what
23 the...what the proposed depth of this well was?

24

1 A. The proposed depth is 4,503 feet.
2 Q. The estimated reserves?
3 A. 350 million cubic feet of gas.
4 Q. Are you also familiar with the well
5 costs, is that right?
6 A. That is correct.
7 Q. You also signed the AFE that was provided
8 as an exhibit to our application?
9 A. Yes, I did.
10 Q. What's the estimated dry hole costs?
11 A. \$271,328.
12 Q. And the completed well costs?
13 A. \$575,780.
14 Q. And you helped prepared the AFE, is that
15 right?
16 A. That is correct.
17 Q. And is there a charge for supervision?
18 A. Yes, there is.
19 Q. And that's a reasonable charge?
20 A. Yes, it is.
21 Q. So, in your opinion, if this application
22 is granted, it would prevent waste, promote conservation
23 and protect correlative rights, is that right?
24

1 A. That is correct.

2 TIM SCOTT: Okay. That's all I have for Mr.

3 Jansen.

4 BUTCH LAMBERT: Any questions from the Board?

5 (No audible response.)

6 BUTCH LAMBERT: Do I have a motion?

7 MARY QUILLEN: Motion to approve.

8 BRUCE PRATHER: Second.

9 BUTCH LAMBERT: I have a motion and a second.

10 Any further discussion?

11 (No audible response.)

12 BUTCH LAMBERT: All those in favor, signify by

13 saying yes.

14 (All members signify by saying yes.)

15 BUTCH LAMBERT: Opposed, no.

16 (No audible response.)

17 BUTCH LAMBERT: Thank you, Mr. Scott. It's

18 approved.

19 TIM SCOTT: Thank you.

20 GUS JANSEN: Thank you.

21 BUTCH LAMBERT: Two hours from right now.

22 JIM KAISER: I think I might be able to do it in

23 less. I don't have recoupment issues.

24

1 BUTCH LAMBERT: Calling docket item...calling
2 docket item twenty-seven, a petition from EQT Production
3 Company for modification of the Nora Coalbed Gas units
4 82AT, 81AT, 45BH, 44BI, 45BI, 43BJ, 44BJ, 45BJ, 43BK,
5 44BK, 45BK, 41BL, 42BL, 43BL, 44BL, 45BL, 50BK, 41BM,
6 43BM, 45BM, 45BN, 44BO, 45BO and 50BK, docket number
7 VGOB-89-0126-0009-73. All parties wishing to testify,
8 please come forward.

9 JIM KAISER: Mr. Chairman, Jim Kaiser, Eric
10 Strouth and Abby Tomkiewicz on behalf of EQT Production.
11 Instead of being a smart aleck I probably should have
12 told you that you didn't to call all of those because we
13 eliminated eleven of those units as you'll see on the
14 revised application page that we just provided you with.

15 (Abby Tomkiewicz and Eric Strouth are duly
16 sworn.)

17 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

18

19 ERIC STROUTH

20 having been duly sworn, was examined and testified as
21 follows:

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

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1 Q. Mr. Strouth, could you state your name
2 for the Board, who you're employed by and in what
3 capacity?

4 A. Eric Strouth. I'm employed by EQT and I
5 prepare exhibits for the force pooling and lease
6 acquisitions.

7 Q. And would it be your testimony that
8 everybody who was required to be noticed of this hearing
9 by statute today received notice?

10 A. Yes, they have.

11 JIM KAISER: Nothing further of this witness at
12 this time, Mr. Chairman.

13 BUTCH LAMBERT: Any questions from the Board?

14 (No audible response.)

15 BUTCH LAMBERT: You may continue, Mr. Kaiser.

16

17 ABBY TOMKIEWICZ

18 having been duly sworn, was examined and testified as
19 follows:

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. KAISER:

22 Q. Ms. Tomkiewicz, if you could state your
23 name, who you're employed by and in what capacity?

24

--

1 A. My name is Abby Tomkiewicz. I work at
2 EQT and I am a geologist.

3 Q. And you have testified before the
4 Virginia Gas and Oil Board on numerous occasions as to
5 our request for the right to drill increased density
6 wells?

7 A. Yes, I have.

8 Q. And an increased density well is a second
9 well within an already established coalbed methane unit?

10 A. Yes.

11 Q. And you've prepared your usual package of
12 information to help illustrate your testimony today?

13 A. Yeah.

14 Q. If you'd go through that for the Board at
15 this point.

16 A. Sure. This is the standard packet that
17 we use every month. On the first page is our production
18 summary. So, 2006 through 2010 and then our totals. In
19 2010, we drilled 26 wells. The cumulative production was
20 315 mmcf. The rate was 9.59 mmcf a day. The next page
21 is our monthly production, which looks the same as any
22 other month, but is updated with the most recent
23 production. As you can see, our gas rate...the increased

24

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1 production we get off of our infill wells helps offset,
2 you know, what little we see in decline on the original
3 well. So, we feel that it's worth it for certain areas
4 and areas we choose to put them in that it helps with
5 production and effectively draining the reservoir. So,
6 on the next page is a map of the field. The grey units
7 are previously approved for infills and the green are
8 what we are requesting. I see there's... maybe on my
9 copy, but your copy too, it says December of 2010. It's,
10 you know, this month because we pushed it back until now.
11 But...so, you can see where in the field, it's two in
12 the northeast part of the field and then the remainder in
13 the central part of the field. So, these are areas where
14 we've seen good production on our original wells and
15 other infill wells that we have drilled in the area.
16 Although, infill wells that we are requesting are
17 increased density wells. There are already original
18 wells within those units. So, we've seen good production
19 and we believe that drilling an infill will help more
20 adequately drain the reservoir. Just so you can see
21 exactly what the unit numbers are, I made a snapshot on
22 the next two pages that showed you a zoomed in of the
23 grid units. And then the last page is the increased

24

--

1 density wells we're requesting for the middle part of the
2 field. And in conclusion, we feel that, you know,
3 we're...these are the best use of our money to drill
4 these infill wells...increased density wells in these
5 areas where we've seen good production. We feel that it
6 will be beneficial and it will protect the correlative
7 rights.

8 MARY QUILLEN: Mr. Chairman, I have just one
9 question for Abby.

10 ABBY TOMKIEWICZ: Sure.

11 MARY QUILLEN: On this...it looks like you all
12 are working on certain section that you are expanding.
13 Is that true?

14 ABBY TOMKIEWICZ: It is. Generally, in some
15 cases. I mean, once we---.

16 MARY QUILLEN: There's a few little white spots
17 every now and then that---.

18 ABBY TOMKIEWICZ: Yeah, there's areas where, you
19 know, we've...we've seen good production on those
20 infills. So, you know, based on the geology and what we
21 see from out maps that we feel that, you know, going, you
22 know, a bit further over we'll see potentially the same
23 results as right next to it. So, yeah---.

24

--

1 MARY QUILLEN: Thanks.

2 BRUCE PRATHER: Mr. Chairman, I've got a
3 question.

4 BUTCH LAMBERT: Mr. Prather.

5 BRUCE PRATHER: What percentage of your
6 previously approved unit have you drilled or have you
7 got these all drilled up and these are in addition to
8 that.

9 ABBY TOMKIEWICZ: In the middle of the field, we
10 have a good number of infill wells just because those
11 are...you know, are older wells where we have more
12 production and we have more results.

13 BRUCE PRATHER: Yeah. But have you drilled two
14 wells on those?

15 ABBY TOMKIEWICZ: Yeah. A large majority of
16 them, yes, we have---.

17 BRUCE PRATHER: Okay.

18 ABBY TOMKIEWICZ: ---drilled infill wells and
19 we feel that (inaudible) would be helpful for those
20 areas. So...and we all...you know, we don't get too far
21 ahead. We like to, you know, test a couple of infill
22 areas. If we see good production on those infills and we
23 don't see a real decline on the originals, then we say,
24

1 you know, this...you know, we've got a good spot. Let's
2 continue and drill more. So---.

3 BRUCE PRATHER: Okay.

4 BUTCH LAMBERT: Any other questions from the
5 Board?

6 (No audible response.)

7 BUTCH LAMBERT: I guess, we could...Mr. Kaiser,
8 we have a new application sheet with the ones that you're
9 testifying to today minus the ones that I read.

10 JIM KAISER: Yes, sir.

11 BUTCH LAMBERT: Okay. So, I'd like to read in
12 for the record the ones that we are reviewing today.
13 We're talking about unit 82AT, 81AT, 45BH, 44BK, 45BK,
14 41BL, 43BL, 44BL, 45BL, 45BM, 45BN and 50BK. Is that
15 correct?

16 JIM KAISER: Yes, sir.

17 BUTCH LAMBERT: For the record, those are the
18 ones that we are discussing. Anything further, Mr.
19 Kaiser?

20 JIM KAISER: We'd ask that the application be
21 approved as submitted, Mr. Chairman.

22 BUTCH LAMBERT: Do I have a motion?

23 MARY QUILLEN: Motion to approve.

24

--

1 BRUCE PRATHER: Second.

2 BUTCH LAMBERT: I have a motion and a second.

3 Any further discussion?

4 (No audible response.)

5 BUTCH LAMBERT: All those in favor, signify by

6 saying yes.

7 (All members signify by saying yes.)

8 BUTCH LAMBERT: Opposed, no.

9 (No audible response.)

10 BUTCH LAMBERT: Thank you, Mr. Kaiser, it's

11 approved. We're calling docket item twenty-eight, a

12 petition from EQT Production Company for pooling of

13 coalbed methane unit VC-356552, docket number VGOB-10-

14 1116-2856. All parties wishing to testify, please come

15 forward.

16 JIM KAISER: Mr. Chairman, Jim Kaiser and Rita

17 Barrett on behalf of EQT Production Company.

18 (Rita Barrett is duly sworn.)

19 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

20

21

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23

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1 RITA BARRETT

2 having been duly sworn, was examined and testified as
3 follows:

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. KAISER:

6 Q. Ms. Barrett, if you'd state your name for
7 the Board, who you're employed by and in what capacity.

8 A. My name is Rita McGlothlin Barrett. I'm
9 employed by EQT Production Company as regional land
10 manager of Virginia.

11 Q. Do your responsibilities include the land
12 involved here and in the surround area?

13 A. Yes.

14 Q. Are you familiar with EQT's application
15 seeking to pool any unleased interest in the unit for
16 well number VC-536552, which was dated October the 15th,
17 2010?

18 A. Yes.

19 Q. Does EQT own drilling rights in the unit
20 involved here?

21 A. We do.

22 Q. Now, prior to the filing of the
23 application, were efforts made to contact each of the
24

--

1 respondents owning an interest in the unit and an attempt
2 made to work out a voluntary lease agreement with each?

3 A. Yes.

4 Q. What's the interest under lease to EQT in
5 the gas estate within the unit?

6 A. 81.1723333333.

7 Q. And in the coal estate?

8 A. 100%.

9 Q. Are all unleased parties set out at
10 revised Exhibit B-3, I guess?

11 A. They are.

12 Q. Okay. And why are we filing these
13 revised exhibits?

14 A. Because we found additional parties
15 apparently or---.

16 Q. Do you have a copy of it?

17 A. No, I don't. Eric, I need to see that,
18 please. I think we leased additional parties. Did we
19 lease?

20 ERIC STROUTH: Yes, leased.

21 Q. Okay. So, we need to amend that
22 testimony.

23 A. Yes, we leased additional parties.

24

--

1 Q. All right. So, what percentage of the
2 gas estate is under to equitable now?

3 A. 87.13033.

4 Q. And what percentage of the coal estate?
5 It's still a 100, obviously. And what percentage of the
6 gas estate remains unleased?

7 A. 12.86966.

8 Q. So, you picked up about an additional 6%
9 of the gas estate?

10 A. That's correct.

11 Q. Okay. Good job. Any unknowns in this
12 unit?

13 A. No.

14 Q. In your professional opinion, was due
15 diligence exercised to locate each of the respondents
16 named at revised Exhibit B?

17 A. Yes.

18 Q. Are the addresses in revised Exhibit B,
19 to the best of your knowledge, the last known addresses
20 for the respondents?

21 A. Yes.

22 Q. Are you requesting this Board to force
23 pool all unleased interest listed at revised Exhibit B-3?
24

1 A. I am.

2 Q. Are you familiar with the fair market
3 value of drilling rights in the unit here and in the
4 surrounding area?

5 A. Yes.

6 Q. Could you advise the Board as to what
7 those are?

8 A. Yes. Twenty-five dollars per acre for a
9 paid up bonus for a give year term and a one-eighth
10 royalty.

11 Q. Did you gain this familiarity by
12 acquiring oil and gas leases and coalbed methane leases
13 and other agreements involving the transfer of drilling
14 rights in the unit involved here and in the surrounding
15 area?

16 A. Yes.

17 Q. And in your opinion, do the terms that
18 you've just testified to represent the fair market value
19 and fair and reasonable compensation to be paid for
20 drilling rights within this unit?

21 A. Yes.

22 Q. Now, as to those respondents who are
23 listed at revised Exhibit B-3 who remain unleased, do you
24

--

1 agree that they be allowed the following statutory
2 options with regard to their interest: 1)Participation;
3 2) a cash bonus of five dollar per...well, twenty-five
4 dollar paid up per net mineral acre plus a one-eighth of
5 eight-eighths royalty; in lieu of a cash bonus and one-
6 eighth of eight-eighths royalty share in the operation of
7 the well on a carried basis as a carried operator under
8 the following conditions: Such carried operator shall be
9 entitled to the share of production from the tracts
10 pooled accruing to his or her interest exclusive of any
11 royalty or overriding royalty reserved in any leases,
12 assignments thereof or agreements relating thereto of
13 such tracts, but only after the proceeds applicable to
14 his or her share equal, A) 300% of the share of such
15 costs applicable to the interest of the carried operator
16 of a leased tract or portion thereof; or B) 200% of the
17 share of such costs applicable to the interest of a
18 carried operator of an unleased tract or portion thereof?

19 A. Yes.

20 Q. Do you recommend that the order provide
21 that elections by respondents be in writing and sent to
22 the applicant at EQT Production Company, P. O. Box 23536,
23 Pittsburgh, Pennsylvania 15222, Christy Shannon and/or

24

--

1 Alma Tallman, Attention?

2 A. Yes.

3 Q. Do you recommend that the order provide
4 that if no written election is properly made by a
5 respondent, then such respondent should be deemed to have
6 elected the cash royalty option in lieu of any
7 participation?

8 A. Yes.

9 Q. Should the unleased respondents be given
10 30 days from the date they receive the recorded Board
11 order to file their written elections?

12 A. Yes.

13 Q. If an unleased respondent elects to
14 participate, should they be given 45 days to pay the
15 applicant for their proportionate share of actual well
16 costs?

17 A. Yes.

18 Q. Should the applicant be allowed a 120
19 days following the recordation of the Board order and
20 thereafter annually on that date until production is
21 achieved, to pay or tender any bonus or delay rental
22 becoming due under the force pooling order?

23 A. Yes.

24

--

1 Q. Do you recommend that the order provide
2 that if a respondent elects to participate but fails to
3 pay their proportionate share of well costs then that
4 election to participate should be treated as having been
5 withdrawn and void and such respondent should be treated
6 as if no initial election had been filed under the order?

7 A. Yes.

8 Q. Do you recommend that the order provide
9 that where a respondent elects to participates but
10 defaults in regard to payment of actual well costs any
11 cash sum becoming payable to that respondent be paid by
12 the application within 60 days after the last date on
13 which the respondent could have paid their costs?

14 A. Yes.

15 Q. Does the Board need to establish an
16 escrow account for this unit?

17 A. Yes. You need to escrow Tracts 3, 4, 5,
18 6 and 8.

19 Q. And who should be named operator under
20 any force pooling order?

21 A. EQT Production Company.

22 Q. What's the total depth of this proposed
23 well?

24

--

1 A. 2,000 feet.

2 Q. The estimated reserves over the life of
3 the unit?

4 A. 300 million...I'm sorry, 350 million
5 cubic feet.

6 Q. Now, has an AFE been reviewed, signed and
7 submitted to the Board as Exhibit C?

8 A. Yes.

9 Q. In your opinion, does it represent a
10 reasonable estimate of well costs?

11 A. Yes.

12 Q. Could you state both the dry hole costs
13 and completed well costs for this well?

14 A. Yes. The dry hole costs are \$188,133.
15 The completed well costs are \$404,630.

16 Q. Do these costs anticipate a multiple
17 completion?

18 A. Yes.

19 Q. Does your AFE include a reasonable charge
20 for supervision?

21 A. Yes.

22 Q. In your professional opinion, would the
23 granting of this application be in the best interest of
24

1 conservation, the prevention of waste and the protection
2 of correlative rights?

3 A. Yes.

4 JIM KAISER: Nothing further of this witness at
5 this time, Mr. Chairman.

6 BUTCH LAMBERT: Any questions from the Board?

7 MARY QUILLEN: I just have one question, Mr.
8 Chairman.

9 BUTCH LAMBERT: Ms. Quillen.

10 MARY QUILLEN: You use the word bonus. In
11 earlier testimony, we had a discussion about that. Does
12 that mean that---?

13 RITA BARRETT: They keep it.

14 MARY QUILLEN: Okay.

15 BRUCE PRATHER: Yours isn't recoupable?

16 RITA BARRETT: It is not recoupable. They keep
17 the money.

18 BUTCH LAMBERT: Mrs. Dye, did you have a
19 question?

20 KATIE DYE: Yes.

21 BRUCE PRATHER: Yours is a true bonus?

22 RITA BARRETT: I'm sorry?

23 BRUCE PRATHER: Yours is a true bonus?

24

--

1 RITA BARRETT: Yes, sir.
2 BRUCE PRATHER: Okay.
3 BUTCH LAMBERT: Mrs. Dye.
4 KATIE DYE: Just a comment. I noticed this on
5 the docket, the first two numbers of the well number is
6 reversed.
7 RITA BARRETT: Yeah, there's a typo on the
8 docket. That...that correct well number is actually
9 536552.
10 JIM KAISER: Actually, there's several of those
11 as we move forward on here today.
12 BUTCH LAMBERT: That's the first mistake he ever
13 made.
14 JIM KAISER: That's right. You've got to make
15 one sometime.
16 BUTCH LAMBERT: That's right. The first one I
17 made today was eating lunch at the Ole Mill.
18 RITA BARRETT: Yeah, me to.
19 JIM KAISER: If I've got to jump up and run,
20 you'll know why.
21 RITA BARRETT: Me too because we had the same
22 thing.
23 JIM KAISER: We had the special and my stomach
24

1 is making a lot of noise.

2 SHARON PIGEON: Are you sure you don't want to
3 combine these?

4 JIM KAISER: I've got some that I'd might be
5 able to.

6 BUTCH LAMBERT: Anything further, Mr. Kaiser?

7 JIM KAISER: We'd ask that the application be
8 approved as submitted with the revised exhibits, Mr.
9 Chairman.

10 BUTCH LAMBERT: Do I have a motion?

11 MARY QUILLEN: Motion to approve.

12 BRUCE PRATHER: Second.

13 BUTCH LAMBERT: I have a motion and a second.
14 Any further discussion?

15 (No audible response.)

16 BUTCH LAMBERT: All those in favor, signify by
17 saying yes.

18 (All members signify by saying yes.)

19 BUTCH LAMBERT: Opposed, no.

20 (No audible response.)

21 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
22 approved. We're calling docket item twenty-nine. A
23 petition from EQT Production Company for pooling of
24

1 coalbed methane unit VC-537796, docket number VGOB-10-
2 1116-2857. All parties wishing to testify, please come
3 forward.

4 JIM KAISER: Mr. Chairman, again, Jim Kaiser and
5 Rita Barrett. And Mr. Strouth will be handing out some
6 revised exhibits. I guess, this extra month delay
7 has...I think we're going to have revised ones for almost
8 everyone of these poolings. This extra month delay has
9 allowed us, I guess, additional time to continue to try
10 to lease these unleased parties and actually get some
11 leases.

12 BUTCH LAMBERT: All right. We should do that
13 more often.

14 (Laughs.)

15 SHARON PIGEON: No.

16 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

17 JIM KAISER: All right.

18 RITA BARRETT
19 having been duly sworn, was examined and testified as
20 follows:

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. KAISER:

23 Q. Ms. Barrett, who are you employed by and
24

1 in what capacity?

2 A. EQT in the Clintwood, Virginia office as
3 regional land manager.

4 Q. Are you familiar with our application
5 seeking to pool any unleased interest in this unit?

6 A. I am.

7 Q. Does Equitable own drilling rights in the
8 unit involved here?

9 A. We do.

10 Q. Prior to the filing of the application
11 and after the filing of the application, did you continue
12 to make efforts to attempt to work out a voluntary lease
13 agreement with each of the folks owning an interest in
14 this unit?

15 A. Yes.

16 Q. Okay. You've got your revised exhibit
17 this time. What is the current interest under lease to
18 EQT in the gas estate?

19 A. 73.15250%.

20 Q. A 100% of the coal estate is under lease?

21 A. Correct.

22 Q. All unleased parties are set out in
23 revised Exhibit B-3?

24

--

1 A. Yes.

2 Q. So, what percentage of the gas estate
3 remains unleased?

4 A. 28...I'm sorry, 26.8475%.

5 Q. So, you pick up about another 10%.
6 That's good.

7 A. Correct.

8 Q. There are no unknowns in this unit,
9 correct?

10 A. Correct.

11 Q. So, in your opinion, due diligence was
12 exercised to locate each of the respondents named?

13 A. Yes.

14 Q. Are you requesting this Board to force
15 pool all unleased interest listed at revised Exhibit B-3?

16 A. Yes.

17 Q. Again, are you familiar with the fair
18 market value of drilling rights in the unit here and in
19 the surrounding area?

20 A. I am.

21 Q. Could you advise the Board as to what
22 those are?

23 A. Yes. Twenty-five dollars per acre for a
24

1 five year term...I'm sorry, a twenty-five dollar bonus
2 paid up for a five year term and one-eighth royalty.

3 Q. In your opinion, do the terms that you
4 just testified represent the fair market value of and the
5 fair and reasonable compensation to be paid for drilling
6 rights within this unit?

7 A. Yes.

8 JIM KAISER: Mr. Chairman, at this time, I'd ask
9 that we'd be allowed to incorporate the testimony taken
10 just previously in docket number -2856 regarding the
11 statutory election options afforded any unleased parties
12 and their time periods and such in which to make those.

13 BUTCH LAMBERT: Did you say 2856?

14 JIM KAISER: I believe it was. Number twenty-
15 eight, yeah. That's the last four numbers.

16 BUTCH LAMBERT: Oh, oh, I'm sorry. I was on a
17 different line. Accepted.

18 Q. Ms. Barrett, does the Board need to
19 establish an escrow account for this unit?

20 A. Yes. For Tracts 3, 4 and 5.

21 Q. Okay. And who should be named operator
22 under any force pooling order?

23 A. EQT Production Company.

24

--

1 Q. The total depth of this well?
2 A. 2,374 feet.
3 Q. The estimated reserves over the life of
4 the unit?
5 A. 300 million cubic feet.
6 Q. Has an AFE been reviewed, signed and
7 submitted to the Board as Exhibit C?
8 A. Yes.
9 Q. In your opinion, does it represent a
10 reasonable estimate of well costs?
11 A. It does.
12 Q. Could you state the dry hole costs and
13 completed well costs for this well?
14 A. Yes, dry hole costs are \$1445,430.80.
15 Completed well costs are \$344,170.46.
16 Q. Do these costs anticipate a multiple
17 completion?
18 A. Yes.
19 Q. Does your AFE include a reasonable charge
20 for supervision?
21 A. Yes.
22 Q. In your professional opinion, would the
23 granting of this application be in the best interest of
24

1 conservation, the prevention of waste and protection of
2 correlative rights?

3 A. Yes.

4 JIM KAISER: Nothing further of this witness at
5 this time, Mr. Chairman.

6 BUTCH LAMBERT: Any questions from the Board?
7 (No audible response.)

8 BUTCH LAMBERT: Anything further, Mr. Kaiser?

9 JIM KAISER: We'd ask that the application be
10 approved with the revised set of exhibits reflecting the
11 additional leases.

12 BUTCH LAMBERT: Do I have a motion?

13 MARY QUILLEN: Motion to approve with the
14 revised exhibits.

15 BRUCE PRATHER: Second.

16 BUTCH LAMBERT: I have a motion and a second.
17 Any further discussion?

18 (No audible response.)

19 BUTCH LAMBERT: All those in favor, signify by
20 saying yes.

21 (All members signify by saying yes.)

22 BUTCH LAMBERT: Opposed, no.

23 (No audible response.)

24

--

1 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
2 approved.

3 JIM KAISER: Thank you.

4 RITA BARRETT: Thank you.

5 BUTCH LAMBERT: Calling docket item number
6 thirty. A petition from EQT Production Company for
7 pooling of coalbed methane unit VC-537194, docket number
8 VGOB-10-1116-2858. All parties wishing to testify,
9 please come forward.

10 JIM KAISER: Again, Mr. Chairman, Jim Kaiser and
11 Rita Barrett on behalf of EQT Production Company. Mr.
12 Strouth is just handing out the mine works maps. We
13 don't have any revised exhibits for this one.

14 BUTCH LAMBERT: Okay. You may proceed.

15

16 RITA BARRETT

17 having been duly sworn, was examined and testified as
18 follows:

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. KAISER:

21 Q. Ms. Barrett, are you familiar with the
22 application we filed seeking to pool any unleased
23 interest in this unit?

24

--

1 A. I am.

2 Q. And does EQT own drilling rights in the
3 unit involved here?

4 A. We do.

5 Q. And prior to the filing of the
6 application, have you attempted to contact each
7 respondent and attempt to work out a voluntary lease
8 agreement with each?

9 A. Yes.

10 Q. What percentages of the gas estate is
11 under lease to EQT?

12 A. 89.685%.

13 Q. And the coal?

14 A. 100%.

15 Q. Are all unleased parties set out in B-3?

16 A. Yes.

17 Q. So, 10.315% remains unleased in the gas
18 estate?

19 A. Correct.

20 Q. That's what we're pooling, right?

21 A. Yes.

22 Q. There's no unknowns in this unit?

23 A. Correct.

24

1 Q. Are you requesting this Board to force
2 pool all unleased interest listed at Exhibit B-3?

3 A. I am.

4 Q. Again, are you familiar with the fair
5 market value of drilling rights in the unit and in the
6 surrounding area?

7 A. Yes.

8 Q. Could you advise the Board as to what
9 those are?

10 A. Yes. Twenty-five dollars per acre for a
11 five year paid up term and a one-eighth royalty.

12 Q. Your terms...in your opinion, do the
13 terms that you just testified to represent the fair
14 market value of and the fair and reasonable compensation
15 to be paid for drilling rights within this unit?

16 A. Yes.

17 JIM KAISER: Mr. Chairman, again, we'd ask to be
18 allowed to incorporate the election testimony first taken
19 in docket number 2856.

20 BUTCH LAMBERT: Accepted.

21 Q. Ms. Barrett, does the Board need to
22 establish an escrow account for this unit?

23 A. Yes. As for Tracts 2, 3, 4, 5, 6, 7 and
24

1 9.

2 Q. Okay. And who should be named operator
3 under any for any force pooling order?

4 A. EQT Production.

5 Q. The total depth of this proposed well?

6 A. 2,211 feet.

7 Q. The estimated reserves over the life of
8 the unit?

9 A. 325 million cubic feet.

10 Q. Has the AFE been signed, reviewed and
11 submitted to the Board as Exhibit C?

12 A. Yes.

13 Q. Does it represent a reasonable estimate
14 of well costs, in your opinion?

15 A. It does.

16 Q. State both the dry hole costs and
17 completed well costs for this well.

18 A. Yes, dry hole costs are \$123,709.90.

19 Completed well costs are \$379,454.19.

20 Q. Do these costs anticipate a multiple
21 completion?

22 A. Yes.

23 Q. Does your AFE include a reasonable charge
24

--

1 for supervision?

2 A. Yes.

3 Q. In your opinion, would the granting of
4 this application be in the best interest of conservation,
5 the prevention of waste and the protection of correlative
6 rights?

7 A. Yes.

8 JIM KAISER: Nothing further of this witness at
9 this time, Mr. Chairman.

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: Anything further, Mr. Kaiser?

13 JIM KAISER: We'd ask that the application be
14 approved as submitted.

15 BUTCH LAMBERT: Do I have a motion?

16 MARY QUILLEN: Motion to approve.

17 BRUCE PRATHER: Second.

18 BUTCH LAMBERT: I have a motion and a second.

19 Any further discussion?

20 (No audible response.)

21 BUTCH LAMBERT: All those in favor, signify by
22 saying yes.

23 (All members signify by saying yes.)

24

--

1 BUTCH LAMBERT: Opposed, no.

2 (No audible response.)

3 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
4 approved. Calling docket item thirty-one, a petition
5 from EQT Production Company for pooling of coalbed
6 methane unit VCI-538311, docket number VGOB-10-1116-2859.
7 All parties wishing to testify, please come forward.

8 JIM KAISER: Mr. Chairman, Jim Kaiser and Rita
9 Barrett, again, on behalf of EQT Production Company.

10 BUTCH LAMBERT: You may proceed, Mr.---.

11 JIM KAISER: We do have revised exhibits again.

12 RITA BARRETT: It's an address change.

13 JIM KAISER: Okay. These revised exhibits just
14 reflect a change of address?

15 RITA BARRETT: Yes.

16 JIM KAISER: Okay. So, there's no additional
17 leases.

18

19 RITA BARRETT

20 having been duly sworn, was examined and testified as
21 follows:

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

--

1 Q. Are you familiar with our application
2 seeking to pool any unleased interest in this unit?
3 A. I am.
4 Q. And this is actually an increased density
5 well, is that correct?
6 A. That's correct.
7 Q. And the first well has already been
8 drilled and this is actually the second pooling for this
9 unit?
10 A. That's correct.
11 Q. Okay. Does EQT own drilling rights in
12 the unit involved here?
13 A. We do.
14 Q. Prior to the filing of the application,
15 were efforts made to contact each of the respondents and
16 an attempt made to work out a voluntary lease agreement
17 with each?
18 A. Yes.
19 Q. What percentage of the gas estate is
20 under lease to EQT?
21 A. 99.18%.
22 Q. And the coal estate?
23 A. 100%.

24

--

1 Q. So, 0.82% of the gas estate remains
2 unleased?

3 A. Correct.

4 Q. Are there any unknowns in this unit?

5 A. No.

6 Q. Are you requesting this Board to force
7 pool all unleased interest listed at Exhibit...revised
8 Exhibit B-3, I guess?

9 A. Yes.

10 Q. Are you familiar with the fair market
11 value of drilling rights in the unit here and in the
12 surrounding area?

13 A. I am.

14 Q. Could you advise the Board as to what
15 those are?

16 A. Yes. Twenty-five dollar per acre bonus
17 for a five year term and a one-eighth royalty.

18 Q. In your opinion, do the terms you've
19 testified to represent the fair market value of and the
20 fair reasonable compensation to be paid for drilling
21 rights within this unit?

22 A. Yes.

23 JIM KAISER: Mr. Chairman, we'd again ask to be
24

1 allowed to incorporate the election testimony taken in
2 2856.

3 BUTCH LAMBERT: Accepted.

4 Q. Ms. Barrett, does the Board need to
5 establish an escrow account for this unit?

6 A. Yes. Escrow on Tracts 1, 3, 4 and 5.

7 Q. And who should be named operator under
8 any force pooling order?

9 A. EQT Production Company.

10 Q. The total depth of the well?

11 A. 2,406 feet.

12 Q. The estimated reserves over the life of
13 the unit?

14 A. 200 million cubic feet.

15 Q. Has an AFE been reviewed, signed and
16 submitted to the Board as Exhibit C?

17 A. Yes.

18 Q. In your opinion, does it represent a
19 reasonable estimate of well costs?

20 A. It does.

21 Q. Could you state both the dry hole costs
22 and completed well costs for this well?

23 A. Yes, dry hole costs are \$160,740. The
24

1 completed well costs are \$377,960.74.

2 Q. Do these costs anticipate a multiple
3 completion?

4 A. Yes.

5 Q. Does your AFE include a reasonable charge
6 for supervision?

7 A. Yes.

8 Q. In your professional opinion, would the
9 granting of this application be in the best interest of
10 conservation, the prevention of waste and the protection
11 of correlative rights?

12 A. Yes.

13 JIM KAISER: Nothing further of this witness at
14 this time, Mr. Chairman.

15 BUTCH LAMBERT: Questions from the Board?

16 (No audible response.)

17 BUTCH LAMBERT: Ms. Barrett, is VC-536630 is
18 that permitted or existing well?

19 RITA BARRETT: I'm sorry?

20 BUTCH LAMBERT: Well...on your...on your plat
21 has got proposed VC-536630 down in the southeast. Is
22 that already drilled?

23 RITA BARRETT: That's actually not proposed. I

24

--

1 think that well is drilled.

2 BUTCH LAMBERT: Well, I couldn't tell from the
3 legend. You can't tell if it's colored or---.

4 RITA BARRETT: It's...it's...that's the well
5 that we're twinning with this increased density well.

6 BUTCH LAMBERT: Okay. So, that one is drilled?
7 It's not a proposed well?

8 RITA BARRETT: Correct.

9 BUTCH LAMBERT: Okay.

10 JIM KAISER: My guess is they just never changed
11 the plat. They just colored in the circle as drilled
12 well and didn't take the proposed.

13 BUTCH LAMBERT: Okay. Any further questions
14 from the Board?

15 (No audible response.)

16 BUTCH LAMBERT: Anything further, Mr. Kaiser?

17 JIM KAISER: We'd ask that the application be
18 approved with the revised exhibits.

19 BUTCH LAMBERT: Do I have a motion?

20 MARY QUILLEN: Motion to approve with revised
21 exhibits.

22 BRUCE PRATHER: Second.

23 BUTCH LAMBERT: I have a motion and a second.

24
--

1 Any further discussion?

2 (No audible response.)

3 BUTCH LAMBERT: All those in favor, signify by
4 saying yes.

5 (All members signify by saying yes.)

6 BUTCH LAMBERT: Opposed, no.

7 (No audible response.)

8 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
9 approved.

10 JIM KAISER: Thank you.

11 BUTCH LAMBERT: Calling item thirty-two on the
12 docket, a petition from EQT Production Company for
13 pooling of horizontal conventional gas unit VH-539983,
14 docket number VGOB-10-1116-2860. All parties wishing to
15 testify, please come forward.

16 JIM KAISER: Jim Kaiser and Rita Barrett, again,
17 on behalf of EQT Production. Okay, Mr. Strouth is going
18 to hand out some revised set of exhibits that indicate or
19 illustrate both address changes and additional leases
20 since the filing of this application.

21

22

23

24

--

1 A. 86.46358635%.

2 Q. So, that represents just a small increase
3 in the percentage leased since we filed the application?

4 A. That's correct.

5 Q. Are all unleased parties set out at
6 revised Exhibit B-3?

7 A. They are.

8 Q. And so what percentage of the unit
9 remains unleased?

10 A. 13.53641365%.

11 Q. Okay. Now, we did have some unknowns and
12 unlocateables in this unit, right?

13 A. Yes, we do.

14 Q. Okay. In your opinion, were reasonable
15 and diligent efforts made and sources checked to identify
16 and locate these unknown folks?

17 A. Yes.

18 Q. Okay. Are you requesting the Board to
19 force pool all unleased interest listed at revised
20 Exhibit B-3?

21 A. Yes.

22 Q. Again, are you familiar with the fair
23 market value of drilling rights in the unit here and in
24

1 the surrounding area?

2 A. I am.

3 Q. Could you advise the Board as to what
4 those are?

5 A. Yes. Twenty-five dollars per acre bonus,
6 five year term and one-eighth royalty.

7 Q. In your opinion, do the terms you just
8 testified to represent the fair market value and fair and
9 reasonable compensation to be paid for drilling rights
10 within this unit?

11 A. Yes.

12 JIM KAISER: Mr. Chairman, again, we'd ask that
13 we be allowed to incorporate the statutory election
14 testimony taken previously in item 2856.

15 BUTCH LAMBERT: Accepted.

16 Q. Ms. Barrett, does the Board need to
17 establish an escrow account for this unit?

18 A. Yes. For Tracts 1, 9, 10 and 11.

19 Q. And who should be named operator under
20 any force pooling order?

21 A. EQT Production Company.

22 Q. The total proposed depth of this well?

23 A. 9,185 feet.

24

--

1 Q. Estimated reserves over the life of the
2 unit?
3 A. 800 million cubic feet.
4 Q. Has an AFE been reviewed, signed and
5 submitted to the Board as Exhibit C?
6 A. Yes.
7 Q. In your opinion, does it represent a
8 reasonable estimate of well costs?
9 A. It does.
10 Q. Could you state the dry hole costs and
11 completed well costs for this well?
12 A. Yes, dry hole costs are \$520,970 and
13 completed well costs are \$1,069,180.
14 Q. Do these costs anticipate a multiple
15 completion?
16 A. Yes.
17 Q. Does you AFE include a reasonable charge
18 for supervision?
19 A. Yes.
20 Q. In your professional opinion, would the
21 granting of this application, be in the best interest of
22 conservation, the prevention of waste and protection of
23 correlative rights?

24

--

1 A. Yes.

2 JIM KAISER: Nothing further of this witness at
3 this time, Mr. Chairman.

4 BUTCH LAMBERT: Questions from the Board?
5 (No audible response.)

6 BUTCH LAMBERT: I have just a question, Ms.
7 Barrett, on..on your unknowns. You have listed three
8 unknown children. You have them listed that way. You
9 have unknown child, unknown child and unknown child.

10 RITA BARRETT: What page of the exhibit are you
11 looking at there?

12 BUTCH LAMBERT: It's on eighty-two of eighty-
13 nine. It's on the revised...on your revised.

14 RITA BARRETT: I see that. Apparently---.

15 BUTCH LAMBERT: I mean...I mean, we just know
16 there's three children and we don't know who they are.

17 JIM KAISER: Well, my guess is we know who they
18 are, but we just don't know where they. It's unknown and
19 unlocateable.

20 RITA BARRETT: Well, apparently, we've told that
21 there are three other children and we haven't been able
22 to identify who they are or who they were. I mean, they
23 could be dead.

24

--

1 BRUCE PRATHER: Are these actually children?
2 Could they be...they could be adults, couldn't they?
3 MARY QUILLEN: It's a child of---.
4 RITA BARRETT: Yes, they could be...they're the
5 children of A. L. Jessee and Nannie H. Jessee. They're
6 heirs.
7 JIM KAISER: Yeah, they're heirs. They could
8 be...yeah.
9 RITA BARRETT: And---.
10 JIM KAISER: They're probably not minors, if
11 that's your question.
12 RITA BARRETT: Right. Right.
13 BRUCE PRATHER: Yeah.
14 RITA BARRETT: And more than likely we've talked
15 to some people in this heirship and they've said well,
16 you know, they know that Annie Beverly was a child. I
17 mean, they know the names of some of these children, but
18 they, well, they had three other kids and we can't
19 remember their names.
20 BUTCH LAMBERT: Oh, okay.
21 RITA BARRETT: In these big heirships, you know,
22 you get that kind of thing. But we're still trying...
23 we're still trying to find them and identify them.

24

--

1 BUTCH LAMBERT: Well, their percentages is kind
2 of small anyway.

3 RITA BARRETT: I'm sorry?

4 BUTCH LAMBERT: The percentage is kind of small
5 anyway. Just...just a question.

6 RITA BARRETT: Well, it was a big heirship.

7 BUTCH LAMBERT: Just a question on how come we
8 say unknown child three times. So, anyway, that's all I
9 have. Any other further questions from the Board?

10 (No audible response.)

11 BUTCH LAMBERT: Anything further, Mr. Kaiser?

12 JIM KAISER: We'd ask that the application be
13 approved with the revised exhibits, Mr. Chairman.

14 BUTCH LAMBERT: Do I have a motion?

15 MARY QUILLEN: Motion to approve with the
16 revised additions---.

17 BILL HARRIS: Second.

18 MARY QUILLEN: ----exhibits, excuse me.

19 BILL HARRIS: Sorry, second.

20 BUTCH LAMBERT: I have a motion and a second.
21 Any further discussion?

22 (No audible response.)

23 BUTCH LAMBERT: All those in favor, signify by
24
25

1 saying yes.

2 (All members signify by saying yes, but Bruce
3 Prather.)

4 BUTCH LAMBERT: Opposed, no.

5 BRUCE PRATHER: Abstain.

6 BUTCH LAMBERT: One abstention, Mr. Prather.

7 Thank you, Mr. Kaiser. It's approved. Calling docket
8 item thirty-three, a petition from EQT Production Company
9 for pooling of horizontal conventional gas unit VH-
10 531527, docket number VGOB-10-1116-2861. All parties
11 wishing to testify, please come forward.

12 JIM KAISER: Mr. Chairman, again, Jim Kaiser and
13 Rita Barrett.

14 RITA BARRETT

15 having been duly sworn, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Ms. Barrett, are you familiar with the
20 application that we filed seeking to pool any unleased
21 interest in this unit?

22 A. I am.

23 Q. Is this, again, a horizontal unit?

24

--

1 A. It is.

2 Q. Which was previously established?

3 A. Yes.

4 Q. Does Equitable own drilling...does EQT

5 own drilling rights in the unit involved here?

6 A. We do.

7 Q. Prior to the filing of the application,

8 were efforts made to contact each of the respondents and

9 an attempt made to work out a voluntary lease agreement

10 with each?

11 A. Yes.

12 Q. What percentages are under lease to

13 Equitable in this unit?

14 A. 98.61%.

15 Q. And are all unleased parties set out in

16 Exhibit B-3?

17 A. They are.

18 Q. So, 1.39% of the unit remains unleased?

19 A. That's correct.

20 Q. There's no unknowns?

21 A. That's correct.

22 Q. Okay. So, you're requesting this Board

23 to force pool all unleased interest listed at Exhibit

24

1 B-3?

2 A. Yes.

3 Q. Are you familiar with the fair market
4 value of drilling rights in the unit here and in the
5 surrounding area?

6 A. I am.

7 Q. Could you advise the Board as to what
8 those are?

9 A. Yes. Twenty-five dollars per acre for a
10 paid up five year term and a one-eighth royalty.

11 Q. In your opinion, do the terms that you
12 just testified to represent the fair market value of and
13 the fair and reasonable compensation to be paid for
14 drilling rights within this unit?

15 A. Yes.

16 JIM KAISER: Mr. Chairman, we'd again ask that
17 we be allowed to incorporate the statutory election
18 testimony first taken in item 2856.

19 BUTCH LAMBERT: Accepted.

20 Q. Here's going to be one of my favorite
21 questions. Does the Board need to establish an escrow
22 account for this unit?

23 A. No, they do not.

24

--

1 Q. And who should be named operator under
2 the force pooling order?

3 A. EQT Production Company.

4 Q. And what's the total depth of this well?

5 A. 8,901 feet.

6 Q. The estimated reserves over the life of
7 the unit?

8 A. 730 million cubic feet.

9 Q. Has an AFE been reviewed, signed and
10 submitted to the Board?

11 A. Yes.

12 Q. In your opinion, does it represent a
13 reasonable estimate of well costs?

14 A. Yes.

15 Q. Could you state the dry hole costs and
16 completed well costs for this well?

17 A. Sure. Dry hole costs are \$482,360 and
18 completed well costs are \$1,160...\$1,163,409.

19 Q. Do these costs anticipate a multiple
20 completion?

21 A. Yes.

22 Q. Does your AFE include a reasonable charge
23 for supervision?

24

1 A. It does.

2 Q. In your professional opinion, would the
3 granting of this application be in the best interest of
4 conservation, the prevention of waste and protection of
5 correlative rights?

6 A. Yes.

7 JIM KAISER: Nothing further of this witness,
8 Mr. Chairman.

9 BUTCH LAMBERT: Any questions from the Board?
10 (No audible response.)

11 BUTCH LAMBERT: Anything further, Mr. Kaiser?

12 JIM KAISER: We'd ask that the application be
13 approved as submitted, sir.

14 BUTCH LAMBERT: Do I have a motion?

15 MARY QUILLEN: Motion to approve.

16 BILL HARRIS: Second.

17 BUTCH LAMBERT: I have a motion and a second.
18 Any further discussion?

19 (No audible response.)

20 BUTCH LAMBERT: All those in favor, signify by
21 saying yes.

22 (All members signify by saying yes, but Bruce
23 Prather.)

24

1 BUTCH LAMBERT: Opposed, no.

2 BRUCE PRATHER: Abstain.

3 BUTCH LAMBERT: One abstention, Mr. Prather.

4 Thank you, Mr. Kaiser. It's approved.

5 RITA BARRETT: Thank you.

6 BUTCH LAMBERT: Calling docket item number

7 thirty-four, a petition from EQT Production Company for

8 pooling of horizontal convention gas unit VH-539976,

9 docket number VGOB-10-1116-2862. All parties wishing to

10 testify, please come forward.

11 JIM KAISER: Mr. Chairman, Jim Kaiser and Rita

12 Barrett on behalf of EQT Production. We do have some

13 revised exhibits. These exhibits will reflect, I

14 believe, some additional leases that were picked up and

15 an actual conveyance of property since this application

16 was filed. I guess in December...sometime in December

17 from one party to another.

18 RITA BARRETT: That's correct.

19

20

21

22

23

24

1

RITA BARRETT

2 having been duly sworn, was examined and testified as
3 follows:

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. KAISER:

6 Q. Ms. Barrett, are you familiar with the
7 application that we filed seeking to pool an unleased
8 interest in this unit?

9 A. I am.

10 Q. And this is, again, a horizontal unit?

11 A. It is.

12 Q. And the unit was previously established?

13 A. Yes.

14 Q. And does Equitable own...EQT own drilling
15 rights in the unit involved here?

16 A. We do.

17 Q. Prior to the filing of the application,
18 were efforts made to contact each of the respondents and
19 an attempt made to work out an agreement with each?

20 A. Yes.

21 Q. What percentage of the unit is under
22 lease at this point?

23 A. 93.866---.

24

--

1 Q. Have you got a revised? That's your old
2 percentage.

3 A. Hang on a second. I'm sorry. 93.886%.

4 Q. Okay. And are all unleased parties set
5 out at Revised Exhibit B-3?

6 A. Yes.

7 Q. So, what percentage of the unit remains
8 unleased?

9 A. 6.1140%.

10 Q. Now, does this unit contain some unknown
11 and unlocateables?

12 A. Yes.

13 Q. Okay. Would it be your testimony that
14 all reasonable and diligent efforts were made and sources
15 checked to try to identify and locate these unknowns?

16 A. Yes.

17 Q. Are you requesting the Board to force
18 pool all unleased interest listed at Revised Exhibit B-3?

19 A. Yes.

20 Q. Again, are you familiar with the fair
21 market value of drilling rights in the unit here and in
22 the surrounding area?

23 A. Yes.

24

1 Q. Could you advise the Board as to what
2 those are?

3 A. Yes. Twenty-five dollars per acre bonus
4 for a five year term and a one-eighth royalty.

5 Q. And in your opinion, do the terms that
6 you've just testified to represent the fair market value
7 of and the fair and reasonable compensation to be paid
8 for drilling rights within this unit?

9 A. Yes.

10 JIM KAISER: Again, Mr. Chairman, we'd ask to be
11 allowed to incorporate the statutory election testimony
12 taken first in item 2856.

13 BUTCH LAMBERT: Accepted.

14 Q. Ms. Barrett, does the Board need to
15 establish an escrow account for this unit?

16 A. Yes. Escrow Tract 6 and a portion of
17 Tract 8 due to unknowns and unlocateables.

18 Q. Okay. And who should be named operator
19 under any force pooling order?

20 A. EQT Production Company.

21 Q. The total depth of this proposed well?

22 A. 7,914 feet.

23 Q. The estimated reserves of the unit?

24

--

1 A. 800 million cubic feet.

2 Q. Has an AFE been reviewed, signed and
3 submitted to the Board as Exhibit C?

4 A. Yes.

5 Q. In your opinion, does it represent a
6 reasonable estimate of well costs?

7 A. It does.

8 Q. Could you state the dry hole costs and
9 completed well costs for this well?

10 A. Yes. The dry hole costs are \$490,301.
11 The completed well costs are \$1,191,967.

12 Q. And do these costs anticipate a multiple
13 completion?

14 A. They do.

15 Q. Does your AFE include a reasonable charge
16 for supervision?

17 A. It does.

18 Q. In your professional opinion, would the
19 granting of this application be in the best interest of
20 conservation, the prevention of waste and the protection
21 of correlative rights?

22 A. Yes.

23 JIM KAISER: Nothing further of this witness at
24

1 this time, Mr. Chairman.

2 BUTCH LAMBERT: Any questions from the Board?

3 (No audible response.)

4 BUTCH LAMBERT: Anything further, Mr. Kaiser?

5 JIM KAISER: We'd ask that the application be

6 approved as submitted with the revised exhibits.

7 BUTCH LAMBERT: Do I have a motion?

8 MARY QUILLEN: Motion to approve.

9 BILL HARRIS: Second.

10 BUTCH LAMBERT: I have a motion and a second.

11 Any further discussion?

12 (No audible response.)

13 BUTCH LAMBERT: All those in favor, signify by

14 saying yes.

15 (All members signify by saying yes, but Bruce

16 Prather.)

17 BUTCH LAMBERT: Opposed, no.

18 BRUCE PRATHER: Abstain.

19 BUTCH LAMBERT: One abstention, Mr. Prather.

20 Thank you, Mr. Kaiser. It's approved. Calling docket

21 item thirty-five, a petition from EQT Production Company

22 for pooling of horizontal conventional gas unit

23 VH-531555, docket number VGOB-10-1116-2863. All parties

24

1 wishing to testify, please come forward.

2 JIM KAISER: Mr. Chairman, Jim Kaiser and Rita
3 Barrett for EQT. We do have a revised exhibit that we're
4 passing out, which reflects an address change.

5

6

7

8

9 RITA BARRETT

10 having been duly sworn, was examined and testified as
11 follows:

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. KAISER:

14 Q. Ms. Barrett, are you familiar with the
15 application that we filed here seeking to pool any
16 unleased interest?

17 A. I am.

18 Q. Is this a horizontal unit?

19 A. Yes.

20 Q. And it was previously established by the
21 Board?

22 A. Yes.

23 Q. Does EQT own drilling rights in the unit

24

--

1 here?

2 A. We do.

3 Q. Prior to the filing of the application,
4 were efforts made to contact each respondent and an
5 attempt made to work out a voluntary lease agreement with
6 each?

7 A. Yes.

8 Q. What percentage of the unit is under
9 lease to EQT?

10 A. 90.32%.

11 Q. And are all unleased parties set out in
12 B-3?

13 A. Yes.

14 Q. So, 9.68% of the unit remains unleased?

15 A. That's correct.

16 Q. We don't have any unknowns in this unit,
17 do we?

18 A. That's correct.

19 Q. Are you familiar with the fair market
20 value of drilling rights in the unit here and in the
21 surrounding area?

22 A. I am.

23 Q. Could you advise the Board as to what
24

1 those are?

2 A. Yes. Twenty-five dollar per acre bonus,
3 five year term and a one-eighth royalty.

4 Q. In your opinion, do the terms that you
5 just testified to represent the fair market value of and
6 the fair and reasonable compensation to be paid for
7 drilling rights within this unit?

8 A. Yes.

9 JIM KAISER: Mr. Chairman, again, we'd ask to be
10 allowed to incorporate the statutory election testimony
11 taken in 2856.

12 BUTCH LAMBERT: Accepted.

13 Q. Ms. Barrett, does the Board need to
14 establish an escrow account for this unit?

15 A. No.

16 Q. And who should be named operator under
17 this force pooling order?

18 A. EQT Production Company.

19 Q. What's the total depth of the proposed
20 well?

21 A. 8,402 feet.

22 Q. The estimated reserves over the life of
23 the unit?

24

--

1 A. 730 million cubic feet.

2 Q. Has an AFE been reviewed, signed and
3 submitted to the Board as Exhibit C?

4 A. Yes.

5 Q. In your opinion, does it represent a
6 reasonable estimate of well costs?

7 A. It does.

8 Q. Could you state the dry hole costs and
9 completed well costs for this well?

10 A. Yes. Dry hole costs are \$635,858.
11 Completed well costs are \$1,428,237.

12 Q. Do these costs anticipate a multiple
13 completion?

14 A. Yes.

15 Q. Does your AFE include a reasonable charge
16 for supervision?

17 A. It does.

18 Q. In your professional opinion, would the
19 granting of this application be in the best interest of
20 conservation, the prevention of waste and protection of
21 correlative rights?

22 A. Yes.

23 JIM KAISER: Nothing further of this witness at
24

1 this time, Mr. Chairman.

2 BUTCH LAMBERT: Questions from the Board?

3 (No audible response.)

4 BUTCH LAMBERT: Anything further, Mr. Kaiser?

5 JIM KAISER: We'd ask that the application be

6 approved with the revised set of exhibits.

7 BUTCH LAMBERT: Do I have a motion?

8 MARY QUILLEN: Motion to approve.

9 BILL HARRIS: Second.

10 BUTCH LAMBERT: I have a motion and a second.

11 Any further discussion?

12 (No audible response.)

13 BUTCH LAMBERT: All those in favor, signify by

14 saying yes.

15 (All members signify by saying yes, but Bruce

16 Prather.)

17 BUTCH LAMBERT: Opposed, no.

18 BRUCE PRATHER: Abstain.

19 BUTCH LAMBERT: One abstention, Mr. Prather.

20 Calling docket item thirty-six, a petition from EQT

21 Production Company for pooling of horizontal conventional

22 gas unit VH-531519, docket number VGOB-10-1116-2864. All

23 parties wishing to testify, please come forward.

24

--

1 JIM KAISER: Mr. Chairman, Jim Kaiser and Rita
2 Barrett. We have revised plats to hand out.

3

4 RITA BARRETT
5 having been duly sworn, was examined and testified as
6 follows:

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. KAISER:

9 Q. Ms. Barrett, are you familiar with the
10 application that we filed seeking to pool any unleased
11 interest in this unit?

12 A. I am.

13 Q. Is this a horizontal unit?

14 A. It is.

15 Q. And was it previously established by the
16 Board?

17 A. Yes.

18 Q. Does EQT own drilling rights in the unit
19 involved here?

20 A. We do.

21 Q. Prior to the filing of the application,
22 were efforts made to contact each of the owners and an
23 attempt made to work out a voluntary lease agreement with
24

--

1 each?

2 A. Yes.

3 Q. What percentage is...of the unit is under
4 lease?

5 A. 98.82850%.

6 Q. Are all unleased parties set out in
7 Exhibit B-3?

8 A. Yes.

9 Q. So, 1.17150% remains unleased?

10 A. That's correct.

11 Q. Are there any unknowns?

12 A. No.

13 Q. Are you...are you requesting this Board
14 to force pool all unleased interest listed at Exhibit
15 B-3?

16 A. Yes.

17 Q. Are you familiar with the fair market
18 value of drilling rights in the unit here and in the
19 surrounding area?

20 A. I am.

21 Q. Again, advise the Board as to what those
22 are?

23 A. Yes. Twenty-five dollars per acre for a
24

1 five year term and a one-eighth royalty.

2 Q. In your opinion, do the terms that you've
3 testified to represent the fair market value of and the
4 fair and reasonable compensation to be paid for drilling
5 rights within this unit?

6 A. Yes.

7 JIM KAISER: Again, Mr. Chairman, we'd ask that
8 we be allowed to incorporate the election testimony first
9 taken in 2856.

10 BUTCH LAMBERT: Accepted.

11 Q. Ms. Barrett, does the Board need to
12 establish an escrow account for this unit?

13 A. Absolutely not.

14 Q. Who should be named operator under this
15 order?

16 A. EQT Production Company.

17 Q. And what is the total depth of this
18 proposed well?

19 A. 8,916 feet.

20 Q. The estimated reserves over the life of
21 the unit?

22 A. 730 million cubic feet.

23 Q. Has an AFE been reviewed, signed and
24

1 submitted to the Board as Exhibit C?

2 A. Yes.

3 Q. In your opinion, does it represent a
4 reasonable estimate of well costs?

5 A. Yes.

6 Q. Could you state the dry hole costs and
7 completed well costs for this well?

8 A. Yes. Our dry hole costs are \$457,237.
9 The completed well cost are \$1,055,851.

10 Q. Do these costs anticipate a multiple
11 completion?

12 A. Yes.

13 Q. Does your AFE include a reasonable charge
14 for supervision?

15 A. It does.

16 Q. In your professional opinion, would the
17 granting of this application be in the best interest of
18 conservation, the prevention of waste and the protection
19 of correlative rights?

20 A. Yes.

21 JIM KAISER: Nothing further of this witness at
22 this time, Mr. Chairman.

23 BUTCH LAMBERT: Questions from the Board?
24
25

1 BILL HARRIS: Let me ask a quick question.
2 BUTCH LAMBERT: Mr. Harris.
3 BILL HARRIS: Not to throw anything in the
4 works.
5 RITA BARRETT: That's fine.
6 BILL HARRIS: This is about the plat though
7 actually. I guess, we probably have approved that. But
8 is there...does anyone know if there is a practical limit
9 to how long these laterals are? I see we're up to 4,000
10 feet now...4,200.
11 RITA BARRETT: I would have to get Mr. Vactor to
12 testify to that.
13 JIM KAISER: Based on pure hearsay, I've heard
14 that in Pennsylvania they've gotten them out to about
15 7,000 feet.
16 BILL HARRIS: Oh, is that right?
17 JIM KAISER: Yeah.
18 TAYLOR VACTOR: I'm sorry. What's the question?
19 SHARON PIGEON: Pure hearsay.
20 JIM KAISER: Well, I mean, I don't have proof of
21 that. Pure hearsay.
22 (Taylor Vactor is duly sworn.)
23 BILL HARRIS: Yeah, it was just that lateral for
24

1 this one shows 4200 feet and I just wondered are we
2 reaching a practical limit there for the length of these
3 laterals.

4 TAYLOR VACTOR: We, in Kentucky where we've
5 drilled, many horizontals have drilled much further than
6 4,000 feet. We've drilled upwards of 7,000 feet before.
7 Offhand, I'm trying to figure out what we have done in
8 Virginia. But that's probably close to the furthest
9 extent that we've drilled, but---.

10 BILL HARRIS: Okay.

11 TAYLOR VACTOR: ---we would like to drill
12 further if we can to utilize one top hole and be able to
13 drill out and produce the rest of the units. So---.

14 BILL HARRIS: Okay. I was just curious because
15 those getting pretty long.

16 BUTCH LAMBERT: Any other questions from the
17 Board?

18 JIM KAISER: Yeah. The technology is getting
19 better and better.

20 BILL HARRIS: I'm sorry?

21 JIM KAISER: The technology is getting better
22 and better.

23 BILL HARRIS: So, that it's...yeah. Okay.

24

--

1 SHARON PIGEON: Based on pure hearsay.

2 BUTCH LAMBERT: You don't want to hear that.

3 Any further questions from the Board?

4 (No audible response.)

5 BUTCH LAMBERT: Anything further, Mr. Kaiser?

6 JIM KAISER: We'd ask that the application be

7 approved as submitted with the revised exhibits.

8 BUTCH LAMBERT: Do I have a motion?

9 MARY QUILLEN: Motion to approve.

10 BILL HARRIS: Second.

11 BUTCH LAMBERT: I have a motion and a second.

12 Any further discussion?

13 (No audible response.)

14 BUTCH LAMBERT: All those in favor, signify by

15 saying yes.

16 (All members signify by saying yes, but Bruce

17 Prather.)

18 BUTCH LAMBERT: Opposed, no.

19 BRUCE PRATHER: Abstain.

20 BUTCH LAMBERT: One abstention, Mr. Prather.

21 Calling docket item thirty-seven, a petition from EQT

22 Production Company for pooling of horizontal conventional

23 gas unit VH-531531, docket number VGOB-10-1116-2865. All

24

1 parties wishing to testify, please come forward.

2 JIM KAISER: Again, Mr. Chairman, Jim Kaiser and
3 Rita Barrett. We have an updated plat again for this
4 one. No revised mineral interest exhibits.

5

6 RITA BARRETT

7 having been duly sworn, was examined and testified as
8 follows:

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. KAISER:

11 Q. Ms. Barrett, are you familiar with the
12 application that we filed seeking to pool any unleased
13 interest in this unit?

14 A. I am.

15 Q. And this is a horizontal unit?

16 A. It is.

17 Q. And it was previously established by the
18 Board?

19 A. That's correct.

20 Q. And does EQT own drilling rights in the
21 unit involved here?

22 A. It does.

23 Q. And prior to the filing of the
24

--

1 application, were efforts made to contact each of the
2 respondents and an attempt to work out an agreement with
3 each of them?

4 A. Yes.

5 Q. What percentage of the unit is under
6 lease to EQT?

7 A. 99.305%.

8 Q. And are all unleased parties set out in
9 B-3?

10 A. Yes.

11 Q. So, all that remains unleased is 0.6900%?

12 A. That's correct.

13 Q. No unknowns in this unit?

14 A. That's correct.

15 Q. Are you requesting the Board to force
16 pool all unleased interest listed at B-3?

17 A. Yes.

18 Q. Again, are you familiar with the fair
19 market value of drilling rights in the unit here and in
20 the surrounding area?

21 A. I am.

22 Q. Could you advise the Board as to what
23 those are?

24

--

1 A. Yes. Twenty-five dollars per acre bonus,
2 a five year term and one-eighth royalty.

3 Q. In your opinion, do the terms that you've
4 testified to represent the fair and reasonable
5 compensation to be paid for drilling rights within this
6 unit?

7 A. Yes.

8 JIM KAISER: Again, Mr. Chairman, we'd ask that
9 the election...or the testimony regarding the statutory
10 election options afforded any unleased parties first
11 taken 2856 be incorporated for purposes of this hearing.

12 BUTCH LAMBERT: Accepted.

13 Q. Ms. Barrett, does the Board need to
14 establish an escrow account for this unit?

15 A. Absolutely not.

16 Q. Who should be named operator under this
17 force pooling order?

18 A. EQT Production Company.

19 Q. What is the total depth of this proposed
20 well?

21 A. 8,940 feet.

22 Q. The estimated reserves over the life of
23 the unit?

24

--

1 A. 730 million cubic feet.

2 Q. Has an AFE been reviewed, signed and
3 submitted to the Board as Exhibit C?

4 A. Yes.

5 Q. In your opinion, does it represent a
6 reasonable estimate of well costs?

7 A. Yes.

8 Q. Could you state the dry hole costs and
9 completed well costs for this well?

10 A. Yes. Dry hole costs are \$459,145.

11 Q. Completed well costs?

12 A. I'm sorry. Completed well costs are
13 \$1,035,249.

14 Q. Do these costs anticipate a multiple
15 completion?

16 A. They do.

17 Q. Does your AFE include a reasonable charge
18 for supervision?

19 A. Yes.

20 Q. In your professional opinion, would the
21 granting of this application be in the best interest of
22 conservation, the prevention of waste and protection of
23 correlative rights?

24

1 A. Yes.

2 JIM KAISER: Nothing further of this witness at
3 this time, Mr. Chairman.

4 BUTCH LAMBERT: Questions from the Board?
5 (No audible response.)

6 BUTCH LAMBERT: Anything further, Mr. Kaiser?

7 JIM KAISER: We'd ask that the application be
8 approved as submitted with the revised plat.

9 BUTCH LAMBERT: Do I have a motion?

10 MARY QUILLEN: Motion to approve with the
11 revised plat.

12 BILL HARRIS: I'll second it.

13 BUTCH LAMBERT: I have a motion and a second.
14 Any further discussion?

15 (No audible response.)

16 BUTCH LAMBERT: All those in favor, signify by
17 saying yes.

18 (All members signify by saying yes, but Bruce
19 Prather.)

20 BUTCH LAMBERT: Opposed, no.

21 BRUCE PRATHER: Abstain.

22 BUTCH LAMBERT: One abstention, Mr. Prather.
23 Calling docket item thirty-eight, a petition from EQT
24

1 Production Company for pooling of coalbed methane unit
2 VC-536325, docket number VGOB-10-1116-2866. All parties
3 wishing to testify, please come forward.

4 JIM KAISER: Mr. Chairman, Jim Kaiser and Rita
5 Barrett of EQT.

6 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

7 JIM KAISER: We've got the mine works exhibit
8 for you.

9 RITA BARRETT: Here's the maps that shows the
10 distance between the wells that you asked us to provide
11 on these previously.

12

13

14

15 RITA BARRETT

16 having been duly sworn, was examined and testified as
17 follows:

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. KAISER:

20 Q. Ms. Barrett, are you familiar with the
21 application that filed seeking to pool any unleased
22 interest in this unit?

23 A. Yes.

24

--

1 Q. This is a coalbed methane unit?
2 A. It is.
3 Q. Does EQT own drilling rights in the unit
4 involved here?
5 A. We do.
6 Q. Prior to the filing of the application,
7 were efforts made to contact each respondent and an
8 attempt made for a voluntary lease agreement with each?
9 A. Yes.
10 Q. What percentage of the gas estate is
11 under lease to EQT?
12 A. 25.086%.
13 Q. The coal estate?
14 A. A 100%.
15 Q. Are all unleased parties set out in B-3?
16 A. Yes.
17 Q. So, 74.92% of the gas estate remains
18 unleased?
19 A. That's correct.
20 Q. Do you have any unknown and
21 unlocateables?
22 A. Yes.
23 Q. Were reasonable and diligent efforts made
24

1 and sources checked to identify and locate any unknown
2 heirs?

3 A. Yes.

4 Q. Are you requesting the Board to force
5 pool all unleased interest listed at Exhibit B-3?

6 A. I am.

7 Q. Again, are you familiar with the fair
8 market value of drilling rights in the unit here and in
9 the surrounding area?

10 A. Yes.

11 Q. Could you advise the Board as to what
12 those are?

13 A. Yes. Twenty-five dollar per acre bonus
14 for a five year term and a one-eighth royalty.

15 Q. In your opinion, do the terms that you've
16 testified to represent the fair market value of and the
17 fair and reasonable compensation to be paid for drilling
18 rights within this unit?

19 A. Yes.

20 JIM KAISER: Mr. Chairman, again, we'd ask to be
21 able to incorporate the statutory election option
22 testimony in regards to unless parties first taken in
23 2856.

24

--

1 BUTCH LAMBERT: Accepted.

2 Q. Ms. Barrett, does the Board need to
3 establish an escrow account for this unit?

4 A. Yes. For Tracts 2 and 3.

5 Q. Who should be named operator under any
6 force pooling order?

7 A. EQT Production Company.

8 Q. What is the estimated depth of this well?

9 A. 2,103 feet.

10 Q. Estimated reserves over the life of the
11 unit?

12 A. 250 million cubic feet.

13 Q. Has an AFE been reviewed, signed and
14 submitted to the Board as Exhibit C?

15 A. Yes.

16 Q. In your opinion, does it represent a
17 reasonable estimate of well costs?

18 A. It does.

19 Q. Could you state the dry hole costs and
20 completed well costs for this well?

21 A. Yes. The dry hole costs are \$166,569.
22 The completed well costs are \$405,412.

23 Q. Do these costs anticipate a multiple
24

1 completion?

2 A. Yes.

3 Q. Does your AFE include a reasonable charge
4 for supervision?

5 A. Yes.

6 Q. In your professional opinion, would the
7 granting of this application be in the best interest of
8 conservation, the prevention of waste and protection of
9 correlative rights?

10 A. Yes.

11 JIM KAISER: Nothing further of this witness at
12 this time, Mr. Chairman.

13 BUTCH LAMBERT: Questions from the Board?

14 BRUCE PRATHER: Mr. Chairman, I've got a
15 question.

16 BUTCH LAMBERT: Mr. Prather.

17 BRUCE PRATHER: From a proposed well, you have
18 one proposed well 1505 that's 1203 feet from the proposed
19 well and then you've got another one over here 7063
20 that's 1888. But if you drill your 1505 you're probably
21 going to be about 500 or 600 feet from your other
22 proposed well. Is that...is that getting close to where
23 you might have interference between these regular wells?

24

--

1 RITA BARRETT: He's talking about these two
2 proposed wells up here.

3 BRUCE PRATHER: I mean, I realize they're all
4 proposed.

5 RITA BARRETT: Well, you've got 12...1203
6 feet...this distance represents the distance---.

7 BRUCE PRATHER: From that well.

8 RITA BARRETT: ---from the well that we're
9 trying to pool here, yes.

10 BRUCE PRATHER: Right. But really the distance
11 between the two proposed is just probably 600 feet.

12 JIM KAISER: No, it's 1800 feet.

13 RITA BARRETT: It's 1888 feet.

14 BRUCE PRATHER: Minus 12. That's 600.

15 RITA BARRETT: I'm sorry?

16 BRUCE PRATHER: Minus 12 is 600.

17 JIM KAISER: You're going from here to here.
18 So, really all of you've got is the setback and
19 then...yeah, it's probably about 600 feet.

20 RITA BARRETT: Yeah. That's...that's---.

21 JIM KAISER: They're drilling increased
22 densities that close together.

23 BRUCE PRATHER: But they haven't gotten---.

24

--

1 RITA BARRETT: We try to get them 610 feet
2 apart, but in this case---?
3 BRUCE PRATHER: They haven't gotten
4 interference---?
5 RITA BARRETT: ---we're 600.
6 BRUCE PRATHER: They're haven't gotten any
7 interference yet on drilling them that close?
8 RITA BARRETT: I would have to ask Mr. Vactor to
9 address that.
10 BRUCE PRATHER: I mean, it's...it's your money.
11 RITA BARRETT: I don't think we've experienced
12 that. I mean, 600 feet is out cutoff---.
13 JIM KAISER: Well, I think I'll let him...well,
14 maybe even Abby might need to testify on this. But I
15 think our testimony in the past has been that there
16 has...probably has been a little...well, maybe I
17 shouldn't say. But I think there has---.
18 TAYLOR VACTOR: (Inaudible) called it. Yeah,
19 that's true. There has been a little, but we think that
20 the benefits far out weigh---.
21 JIM KAISER: The incremental production that you
22 get from the second well is balancing our whatever
23 you...the little bit you're losing from the first one.

24

--

1 TAYLOR VACTOR: Yeah.

2 JIM KAISER: I think has been their science.

3 BUTCH LAMBERT: You folks are still under oath.

4 You don't need to be sworn in. And ask your question

5 again, Mr. Prather.

6 BRUCE PRATHER: I was just wondering why you

7 had...the majority of these wells are 2,000 feet away

8 from the proposed well and you've got two of them here,

9 one is 1200 feet and the other one is 1800 and the two

10 proposed wells here has got about 600 foot between them.

11 I just wondered if that's really where you want that

12 well.

13 RITA BARRETT: Well, it could be a terrain

14 restriction. It could be---.

15 BRUCE PRATHER: Well, I realize it's proposed.

16 You know, you could put it any place. I just wondered if

17 you wanted it that close on purpose.

18 JIM KAISER: I think the question, guys, boils

19 down to if you're...if you're going to drill coalbed

20 methane wells within 600 feet of each other, are you

21 seeing any communication?

22 BRUCE PRATHER: Yeah, interference.

23 TAYLOR VACTOR: Occasionally. It depends on the

24

1 orientation of the wells in comparison to each other.
2 This actually right here is a preferable orientation
3 because our fracs tend to drill from northeast to
4 southwest and we're going the opposite of that. So, we
5 would probably in this case actually not see any
6 communication. I can't guarantee that, obviously. But,
7 yeah, that's a preferable orientation.

8 BRUCE PRATHER: Okay. That's fine.

9 JIM KAISER: And, again, they are proposed. So,
10 I guess, they're---

11 RITA BARRETT: That's correct.

12 JIM KAISER: ---subjected---

13 BRUCE PRATHER: Yeah.

14 JIM KAISER: ---to being moved, I'm sure.

15 BUTCH LAMBERT: Thank you for the maps, Ms.
16 Barrett. Thank you for the maps.

17 RITA BARRETT: You're welcome, sir.

18 BUTCH LAMBERT: I have one question on your
19 unknown and unlocateable. Is this Yellow Popular within
20 that 2,000 acres in Buchanan County that we discussed
21 earlier that you have done research on?

22 RITA BARRETT: Let me look at the plat. Yes.

23 BUTCH LAMBERT: Was it yes?
24
25

1 RITA BARRETT: Yes.

2 BUTCH LAMBERT: Oh, I'm sorry. Thank you. You
3 can testify that due diligence was done?

4 RITA BARRETT: Yes, I can. And Mr. Scott has
5 been on record previously testifying on the due diligence
6 that he did as our...as the title attorney on this at the
7 time.

8 BUTCH LAMBERT: Okay. Thank you. Any further
9 questions from the Board?

10 (No audible response.)

11 BUTCH LAMBERT: Anything further, Mr. Kaiser?

12 JIM KAISER: We'd ask that the application be
13 approved as submitted, Mr. Chairman.

14 BUTCH LAMBERT: Do I have a motion?

15 MARY QUILLEN: Motion to approve.

16 BILL HARRIS: Second.

17 BUTCH LAMBERT: I have a motion and a second.
18 Any further discussion?

19 (No audible response.)

20 BUTCH LAMBERT: All those in favor, signify by
21 saying yes.

22 (All members signify by saying yes.)

23 BUTCH LAMBERT: Opposed, no.

24

1 (No audible response.)

2 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
3 approved.

4 JIM KAISER: Thank you.

5 BUTCH LAMBERT: Calling docket item thirty-
6 nine. It's a petition from EQT Production Company for
7 pooling of coalbed methane unit VC-537303, docket number
8 VGOB-10-1116-2867. All parties wishing to testify,
9 please come forward.

10 JIM KAISER: Mr. Chairman, again, Jim Kaiser and
11 Rita Barrett on behalf of EQT Production. Okay, we don't
12 have any revised exhibits to the application. These
13 are...this is additional information that---

14 BUTCH LAMBERT: Okay.

15 JIM KAISER: ---the Board as asked us to
16 provide on these.

17 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

18 JIM KAISER: Ready?

19

20 RITA BARRETT

21 having been duly sworn, was examined and testified as
22 follows:

23 DIRECT EXAMINATION

24

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1 QUESTIONS BY MR. KAISER:

2 Q. Ms. Barrett, are you familiar with the
3 application that we filed seeking to pool any unleased
4 interest in this unit?

5 A. Yes.

6 Q. Does EQT own drilling rights in the unit
7 involved here.

8 A. We do.

9 Q. Prior to the filing of the application,
10 were efforts made to contact each respondent and an
11 attempt made to work out each...a lease with each party?

12 A. Yes.

13 Q. What percentage of the gas estate is
14 under lease to EQT?

15 A. 82.27%.

16 Q. The coal estate?

17 A. 100%.

18 Q. All unleased parties set out in B-3?

19 A. They are.

20 Q. So, what remains unleased is 17.3% of the
21 gas estate?

22 A. That's correct.

23 Q. We have unknowns in this unit?

24

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1 A. Yes, we do.

2 Q. Again, is that Yellow Popular?

3 A. It is.

4 Q. Is it your testimony that we've made all
5 reasonable and diligent efforts to locate any successors
6 to that Yellow Popular entity?

7 A. Yes.

8 Q. Are you requesting the Board to force
9 pool all unleased interest listed at B-3?

10 A. Yes.

11 Q. Are you familiar, again, with the fair
12 market value of drilling rights in the unit here and in
13 the surrounding area?

14 A. Yes.

15 Q. Again, advise the Board as to what those
16 are?

17 A. Yes. Twenty-five dollar per acre bonus,
18 a five year term and one-eighth royalty.

19 Q. In your opinion, do these terms represent
20 fair market value of and fair and reasonable compensation
21 to be paid for drilling rights within this unit?

22 A. yes.

23 JIM KAISER: Mr. Chairman, again, we'd ask to
24

1 be able to incorporate the testimony as to the statutory
2 election options afforded any unleased parties first
3 taken in 2856 today.

4 BUTCH LAMBERT: Accepted.

5 Q. Ms. Barrett, the Board does need to
6 establish an escrow account for this unit, correct?

7 A. Yes. For Tract 2.

8 Q. Who should be named operator under any
9 pooling order?

10 A. EQT Production Company.

11 Q. The total depth of the proposed well?

12 A. 2,393 feet.

13 Q. The estimated reserves over the life of
14 the unit?

15 A. 250 million cubic feet.

16 Q. Has an AFE been reviewed, signed and
17 submitted to the Board as Exhibit C?

18 A. Yes.

19 Q. In your opinion, does it represent a
20 reasonable estimate of well costs?

21 A. It does.

22 Q. Could you state the dry hole costs and
23 completed well costs for this well?

24

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1 A. Yes. The dry hole costs are \$178,302.

2 The completed well costs are \$457,436.

3 Q. And do these costs anticipate a multiple
4 completion?

5 A. Yes.

6 Q. Does your AFE include a reasonable charge
7 for supervision?

8 A. It does.

9 Q. In your professional opinion, would the
10 granting of this application be in the best interest of
11 conservation, the prevention of waste and protection of
12 correlative rights?

13 A. Yes.

14 JIM KAISER: Nothing further of this witness at
15 this time, Mr. Chairman.

16 BUTCH LAMBERT: Any questions from the Board?

17 (No audible response.)

18 BUTCH LAMBERT: Anything further, Mr. Kaiser?

19 JIM KAISER: We'd ask that the application be
20 approved as submitted.

21 BUTCH LAMBERT: Do I have a motion?

22 MARY QUILLEN: Motion to approve.

23 BILL HARRIS: Second.

24

--

1 BUTCH LAMBERT: I have a motion and a second.
2 Any further discussion?
3 (No audible response.)
4 BUTCH LAMBERT: All those in favor, signify by
5 saying yes.
6 (All members signify by saying yes.)
7 BUTCH LAMBERT: Opposed, no.
8 (No audible response.)
9 BUTCH LAMBERT: Thank you, Mr. Kaiser. That's
10 approved.
11 TOM MULLINS: Just a periodic check.
12 BUTCH LAMBERT: We're all right.
13 RITA BARRETT: We're getting there.
14 JIM KAISER: Yeah, you're going to get there.
15 What time is it?
16 RITA BARRETT: I tell you what these GeoMet
17 people, you know, push, push.
18 (Laughs.)
19 BUTCH LAMBERT: We're hanging in there.
20 RITA BARRETT: I'm kidding, Tom.
21 JIM KAISER: Man, you might be up as early as
22 about 4:10. All right. I would like...Mr. Chairman,
23 we're going on to number forty.
24
--

1 BUTCH LAMBERT: Uh-huh. Yes, sir.

2 JIM KAISER: Let go ahead and call forty through
3 forty-three together. I think we can combine those.

4 BUTCH LAMBERT: Okay. Calling docket number
5 forty, a petition from EQT Production Company for the
6 establishment of a 320 acre provisional drilling unit EQT
7 2868 for the drilling of horizontal conventional gas
8 well. This is docket number VGOB-10-1116-2868. Also
9 calling docket item forty-one, a petition from EQT
10 Production Company for the establishment of a 320 acre
11 provisional drilling unit EQT 2869 for the drilling of
12 horizontal conventional gas well, docket number VGOB-10-
13 1116-2869. Also calling docket item forty-two, a
14 petition from EQT Production for the establishment of a
15 320 acre provisional drilling unit EQT 2870 for the
16 drilling of horizontal conventional gas well, docket
17 number VGOB-10-1116-2870. Also calling docket item
18 forty-three, a petition from EQT Production Company for
19 the establishment of a 320 acre provisional drilling unit
20 EQT 2871 for the drilling of horizontal conventional gas
21 well, docket number VGOB-10-1116-2871. All parties
22 wishing to testify, please come forward.

23 JIM KAISER: Mr. Chairman, Jim Kaiser, Eric

24

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1 Strouth and Taylor Vactor on behalf of EQT Production. I
2 think everybody has been sworn, I believe. I'll start
3 with Mr. Strouth.

4

5 ERIC STROUTH

6 having been duly sworn, was examined and testified as
7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. KAISER:

10 Q. Mr. Strouth, this is going to be as to
11 all four of these units now. Would it be your testimony
12 that everybody required by statute has...that being all
13 oil, gas and coal owners have been notified of these four
14 hearings?

15 A. Yes, they have.

16 Q. And, in fact, in large part in all four
17 of these units, the parties are pretty much the same
18 people?

19 A. Yes.

20 Q. Okay. And there are no...let me check
21 that before I ask you. Yeah, there are some unknowns,
22 aren't there?

23 A. Uh-huh.

24

--

1 Q. Then the units in which there were some
2 unknown parties, did we publish as required by statute?

3 A. Yes, we did.

4 JIM KAISER: Okay. Nothing further of this
5 witness at this time, Mr. Chairman.

6 BUTCH LAMBERT: Any questions from the Board?
7 (No audible response.)

8 BUTCH LAMBERT: You may continue, Mr. Kaiser.

9

10

11 TAYLOR VACTOR

12 having been duly sworn, was examined and testified as
13 follows:

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. KAISER:

16 Q. Mr. Vactor, if you'd state your name, who
17 you're employed by and in what capacity?

18 A. Excuse me. Taylor Vactor, EQT, the lead
19 Virginia geologist.

20 Q. And you've testified on the establishment
21 of these conventional horizontal units on many occasions?

22 A. That is correct.

23 Q. And you have prepared a package for the

24

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1 Board today to help illustrate your testimony regarding
2 the same?

3 A. Yes.

4 Q. Do they have that in front of them?

5 A. Yes.

6 Q. If you would at this time, would go
7 through that for time and explain where...where we are on
8 these?

9 A. Okay. So, this is just the usual
10 proposal packet that we present to you each month. So,
11 our proposal is for a 320 acre square unit with
12 dimensions 3,733 feet by 3,733 with a 5,280 feet
13 diagonal. There will be a 300 foot interior window with
14 a 600 foot standoff from adjacent grid horizontal well
15 bores. We should be able to drill the surface location
16 from outside of the unit so long as production comes from
17 within the unit. There will be a minimum 600 foot
18 distance between horizontal...between the horizontal well
19 bore and any vertical well producing from the same
20 horizon. This will allow for multiple wells and/or
21 laterals for maximum drainage. In some cases, two or
22 more wells may be able to use the same pad due to terrain
23 restrictions. On page BB, we have a picture of the

24

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1 dimensions of the unit as I have previously described.
2 Page CC, the benefits of horizontal drilling, there's
3 usually fewer issues with the coal mining, less surface
4 disturbance, we can more effectively extract the
5 resource. These laterals can reach into areas otherwise
6 inaccessible by vertical well bores. We see higher
7 depletion rates and shorter lives to wells. This will
8 encourage development of the resources. On page DD, this
9 map shows the four units that we're proposing to
10 establish in comparison to each other. On page EE, this
11 shows the first unit from the docket EQT 2868 and the
12 surrounding existing vertical wells. On page FF, this is
13 unit 2869 and the surrounding existing vertical wells.
14 On page GG, this is unit 2870. I'm actually noticing
15 there is one location on here that's not drilled. The
16 rest are drilled. The one is not is the one that starts
17 with 45195. But the rest of those are already drilled.
18 On page HH, this is unit 2871 and it showing the existing
19 wells in comparison to the unit that we're proposing.

20 BUTCH LAMBERT: Mr. Vactor, on FF, what's the
21 line through the bottom of that?

22 TAYLOR VACTOR: That's probably a quad boundary.
23 Let me look back at the one back map. Yeah, it looks
24

1 like it's straddling the quad boundary between
2 (inaudible) and Norton and that's what that line is.

3 BUTCH LAMBERT: Okay. Any other questions from
4 the Board?

5 MARY QUILLEN: Mr. Chairman, I have just one
6 question.

7 BUTCH LAMBERT: Ms. Quillen.

8 MARY QUILLEN: These units where there is
9 already wells drilled, who operates those wells?

10 TAYLOR VACTOR: I'm assuming EQT.

11 JIM KAISER: I'm sure EQT.

12 MARY QUILLEN: You're sure it's EQT. You don't
13 assume.

14 JIM KAISER: He's sure.

15 TAYLOR VACTOR: I'm sure.

16 BRUCE PRATHER: One of your wells offsets a
17 recent Range Resources well.

18 JIM KAISER: Well, I'm sure it's a partnership
19 well.

20 BRUCE PRATHER: Yeah, it's a partnership. But
21 it offsets another operators well.

22 JIM KAISER: I'm sure they've been notified of
23 these units and they haven't filed an objection.
24

1 BRUCE PRATHER: Okay.

2 BUTCH LAMBERT: Anything further, Mr. Kaiser?

3 BRUCE PRATHER: No. We'd ask that the four

4 applications be approved as submitted.

5 BUTCH LAMBERT: Do I have a motion on the four

6 applications?

7 MARY QUILLEN: Motion to approve all four

8 applications, docket item number forty, forty-one, forty-

9 two and forty-three.

10 BILL HARRIS: Second.

11 BUTCH LAMBERT: I have a motion and a second.

12 Any further discussion?

13 (No audible response.)

14 BUTCH LAMBERT: All those in favor, signify by

15 saying yes.

16 (All members signify by saying yes, but Bruce

17 Prather.)

18 BUTCH LAMBERT: Opposed, no.

19 BRUCE PRATHER: Abstain.

20 BUTCH LAMBERT: One abstention Mr. Prather.

21 JIM KAISER: Mr. Chairman, before we go on, it

22 might help alleviate some of the concern on getting

23 finished today. We are going to ask that item number

24

1 forty-eight on the docket be withdrawn.

2 BUTCH LAMBERT: Forty-eight?

3 JIM KAISER: Uh-huh. If you want to call that
4 and then we'll---.

5 BUTCH LAMBERT: Okay. Item forty-eight on the
6 docket is a petition from EQT Production Company for the
7 establishment of a provisional drilling unit consisting
8 of 63,172 acres for the drilling of horizontal
9 conventional gas wells. It's docket number VGOB-10-1116-
10 2876 is being withdrawn. Calling docket item forty-four,
11 a petition from EQT Production Company for a well
12 location exception for proposed well VH-531482, docket
13 number VGOB-10-1116-2872. All parties wishing to
14 testify, please come forward.

15 JIM KAISER: Mr. Chairman, Jim Kaiser, Eric
16 Strouth and Taylor Vactor for EQT.

17

18 ERIC STROUTH

19 having been duly sworn, was examined and testified as
20 follows:

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. KAISER:

23 Q. Would it be your testimony that all three

24

--

1 entities required to be noticed by statute, that being
2 all oil, gas and coal owners have been notified of this
3 hearing?

4 A. Yes, they have.

5 Q. That would be Penn Virginia Operating,
6 ACIN, LLC and Range Resources-Pine Mountain?

7 A. Yes.

8 JIM KAISER: Okay. Thank you. Nothing further
9 of this witness, Mr. Chairman.

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: You may continue, Mr. Kaiser.

13

14 TAYLOR VACTOR

15 having been duly sworn, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Mr. Vactor, we're asking for a variance
20 in this case on a horizontal location. You've prepared a
21 package for the Board to explain what it is that we're
22 requesting here?

23 A. That's correct.

24

--

1 Q. Okay. At this point, just go ahead and
2 start going through that.

3 A. Okay. So, as Mr. Kaiser had said, we're
4 seeking approval for the modification of the provisional
5 unit EQT 2764 to allow for production from outside of the
6 300 foot interior window. We're planning on drilling a
7 4,000 foot lateral in the northwest direction. The
8 initial drilling results indicate the direction...or
9 direct correlation between lateral length, orientation
10 and well production. No existing vertical wells will be
11 impacted by the exception area and we will be greater
12 than 600 feet away from verticals producing from the same
13 formation as the horizontal. Completion and production
14 of the formation in the exception area maximizes the
15 resource recovery and the leased owner. The leased
16 owners with the unit will benefit proportionally from the
17 production. The second page here should be labeled as
18 BB. It's showing the unit as it was established. The
19 dark outline is the outside of the unit. The dashed line
20 within that is the 300 foot interior window. Again, what
21 we're asking is to be able to produce from...within that
22 300 foot interior window between that dark line and that
23 dashed line. As you can see, that red dash that you see

24

--

1 just within the well unit is where we will have our top
2 completion packer. That will be the top area where we
3 are fracing and everything else below that within the
4 unit will be completed.

5 Q. Could you sort of elaborate on...I know
6 you've said...I guess...I guess, the reason that we're
7 having to locate the well bore outside of the unit is
8 that we can get this maximum length of lateral?

9 A. It's that and so that we can stay within
10 the preferred orientation of going northwest or
11 southeast. Basically, where we...we were able to get a
12 location based on topography, coal mining and other
13 issues like that.

14 Q. So, topography, orientation and lateral
15 length and because of where the well bore is by the time
16 we drill the vertical part of the well and make the turn,
17 we're into the horizontal lateral inside that buffer zone
18 and since there is...all royalty owners have been
19 notified of this hearing and nobody has objected, I mean,
20 essentially to not allow us to do that would essentially
21 result in waste. Would that be your opinion?

22 A. Yes.

23 JIM KAISER: Nothing further of this witness at
24

1 this time, Mr. Chairman. Well, one more question.

2 Q. Has the Board allowed us to do this in

3 the past?

4 A. Yes.

5 JIM KAISER: Thank you.

6 BUTCH LAMBERT: So, the testimony is that the

7 red line on that you have on Exhibit BB is the completion

8 of the turn?

9 TAYLOR VACTOR: No, that's where our top

10 completion packer will be.

11 BUTCH LAMBERT: That's the way we want to be

12 able to start producing.

13 TAYLOR VACTOR: Yeah. So, that's where we will

14 be initiating the last fracing closest to the edge of the

15 unit.

16 BUTCH LAMBERT: Okay. Any other questions from

17 the Board?

18 BILL HARRIS: Let me just---.

19 BRUCE PRATHER: I...go ahead.

20 BUTCH LAMBERT: Which one of you going?

21 BRUCE PRATHER: I just wondered, how come you've

22 got the northwest corner of this unit is kind of chewed

23 out? Why isn't there a complete square?

24

1 JIM KAISER: It must have been---.

2 TAYLOR VACTOR: I-.

3 JIM KAISER: Well, go ahead. I assume that it

4 was a makeup unit when we established it.

5 BRUCE PRATHER: Oh, okay.

6 TAYLOR VACTOR: That's correct.

7 JIM KAISER: There's another one that fits into

8 that.

9 BRUCE PRATHER: Okay.

10 TAYLOR VACTOR: Yes, that's correct.

11 BUTCH LAMBERT: Mr. Harris.

12 BILL HARRIS: I guess my question was about

13 drilling pads and all. This isn't sharing a pad with

14 another well.

15 TAYLOR VACTOR: It's sharing a pad with...with

16 vertical well 2763. That's right next to it just out the

17 eastern portion of that unit.

18 BILL HARRIS: Okay.

19 TAYLOR VACTOR: But, yeah, we'll...again, as I

20 said in the earlier testimony, we'll be 600 feet away

21 from that well before we're actually producing out of the

22 same formation that were completed in that vertical well.

23 BILL HARRIS: But in terms of sharing the pad,

24

1 is that one of the reasons why that you're reaching that
2 depth in the 300 foot offset area or is it just the
3 geometry of it that it just comes out that way?

4 TAYLOR VACTOR: We're sharing that pad
5 basically...probably because of topography. That was one
6 of the only places that they initially could find a well
7 spot. So, again, we came back to drill another well that
8 was kind of where we were pushed towards putting a well
9 based on topography and it saves cost to do that as well
10 to utilize the existing pad and not have to build a new
11 one.

12 BILL HARRIS: Okay. Thank you.

13 BUTCH LAMBERT: Any other questions?

14 (No audible response.)

15 BUTCH LAMBERT: Anything further, Mr. Kaiser?

16 (No audible response.)

17 JIM KAISER: We'd ask that the application be
18 approved as submitted, Mr. Chairman.

19 BUTCH LAMBERT: Do I have a motion?

20 MARY QUILLEN: Motion to approve.

21 BILL HARRIS: Second.

22 BUTCH LAMBERT: I have a motion and a second.
23 Any further discussion?

24

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1 (No audible response.)

2 BUTCH LAMBERT: All those in favor, signify by
3 saying yes.

4 (All members signify by saying yes, but Bruce
5 Prather.)

6 BUTCH LAMBERT: Opposed, no.

7 BRUCE PRATHER: Abstain.

8 BUTCH LAMBERT: One abstention, Mr. Prather.

9 Thank you, Mr. Kaiser. It's approved. Calling docket
10 item forty-five, a petition from EQT Production Company
11 for a well location exception for proposed well VH-
12 531531, docket number VGOB-10-1116-2873. All parties
13 wishing to testify, please come forward.

14 JIM KAISER: Mr. Chairman, Jim Kaiser, Eric
15 Strouth and Taylor Vactor. These next three that we're
16 going to hear are going to bring back up some of the
17 discussion that we had earlier this morning as far as
18 horizontal units and how we're going to pay the royalty.
19 Before we go into our testimony---

20 BUTCH LAMBERT: Are you sure you want to go
21 there?

22 JIM KAISER: Huh?

23 BUTCH LAMBERT: Are we sure we want to do that
24

1 again?

2 JIM KAISER: Well, let me...I'd just like to...
3 would sort of on behalf of my client just in general...
4 to make a few general comments. Our
5 history---.

6 SHARON PIGEON: Would you like for GeoMet to go
7 ahead?

8 JIM KAISER: Huh?

9 SHARON PIGEON: Wouldn't you like---?

10 JIM KAISER: It's not going to be very long.
11 Our history was the first time that we asked to do this,
12 we asked to pay based upon the length of the lateral in
13 each unit. I think Mr. Harris remembers that. In fact,
14 he was very helpful in that. Ms. Pigeon was not in the
15 room at the time of that testimony and then later
16 correctly point out that we had not followed the statute.
17 We have since done this on several occasions and agreed
18 to...you know, just make it a 640 and pay proportionally
19 on the 640, which we don't have a problem with. But
20 going forward, after hearing Mr. Swartz I guess it would
21 be testimony, his speech earlier today.

22 SHARON PIGEON: His pure hearsay.

23 JIM KAISER: Yeah, his pure hearsay earlier

24

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1 today. I think, and Taylor can correct me if I'm wrong
2 because he's the scientist. I think if the Board were to
3 see fit that we would probably endorse his option number
4 three, which is allow us to form different size units in
5 accordance with our drainage patterns and then come back,
6 you know, if we have unleased interest and pool those
7 units and then pay them in accordance directly with the
8 statute, you know, on a pro-rata share. In other words,
9 if it's a 150 acre unit and you've got 50 acres then you
10 get one-third of the one-eighth. The reason that I think
11 that...and I'm just...you don't...you can do whatever you
12 want. I mean, it's not our money. It's the royalty
13 owners money. But I do think that it would...is
14 beneficial not only to the royalty owner because I think
15 it's a fair way to do it in a large sense. But I think
16 it's also beneficial to the operator because it will
17 allow you to more efficiently and effectively develop
18 that acreage because you're going to...you know,
19 basically what I think we would be looking at is you take
20 your lateral out to...you know, you take your well bore
21 and then you figure out where your laterals are going to
22 go and then you put your buffer in and you say you can
23 protect correlative rights and then you draw the outline
24

1 of the unit and then you ask the Board to approve it. I
2 think for both the operator and the royalty owner, it
3 would be the most prudent, efficient and fairest method
4 to do it. Now, you know, whatever you guys do you can
5 do. Today, we're just going to ask that we...on these
6 units that we just stay with the old method of paying
7 based on the pro-rata of the 640. If you want to go back
8 at a later date, we could always come back and ask to,
9 you know, have it back on the docket and change that if
10 you go with this other...this other idea. But there's my
11 two cents.

12 BUTCH LAMBERT: Are you talking about the other
13 idea that Mr. Swartz may come back? The other proposal
14 that Mr. Swartz may come back with in February?

15 JIM KAISER: Yeah. And I think he...in a large
16 part he was right. I mean, I know we originally started
17 out with these 320s, it was Bob Wilson's idea largely at
18 that time. I think what he was trying to do was not only
19 kind of get some certainty as to where these units were
20 going to be located, but absolutely to try to make sure
21 that there wouldn't be any uncompensated acreage...any
22 gaps like you have with the circles. You know, it was a
23 good plan. As this technology changes and the ability to

24

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1 drill these laterals longer and longer that it gets
2 developed, then, you know, I think Mr. Swartz had a good
3 idea. I mean, your biggest fear again or you...I would
4 think your biggest problem with allowing the operators to
5 do this would be that you could have gaps. But, I mean,
6 as long as you require...you know, you don't have to
7 approve the units. As long as you require that gaps be
8 taken care of by overlap like we have with location
9 exceptions on conventional wells, then I think your
10 correlative rights are protected. You know, nobody
11 is...I really do think that at some point in time if you
12 get a sophisticated royalty owner who has, you know, got
13 80% of 320 acre unit and then you've got...and most of
14 the laterals in his unit and then there's a little bit in
15 that unit and he's having to split that royalty that
16 that's going to be a problem. That's just my two cents
17 and we'll move on, if it's any good.

18 BUTCH LAMBERT: Sure. There's...there's some
19 issues there and we understand that. Again, as we talked
20 this morning, right now we have to kind of...we're
21 governed by what is in the statute.

22 JIM KAISER: Oh, I understand that.

23 BUTCH LAMBERT: The only fear is what kind
24
25

1 of...I don't probably...I don't even know what Mr. Swartz
2 is going to propose, but I would hate to get into a
3 situation where these acres even cause more stranded
4 acres by---.

5 JIM KAISER: That's certainly the main thing
6 that you would have to worry about. I agree with that.
7 But---.

8 BUTCH LAMBERT: So, are you asking that...I
9 guess, are you suggesting---?

10 JIM KAISER: That was just a---.

11 BUTCH LAMBERT: ---what you want to do is
12 continue---.

13 JIM KAISER: That was a general introduction to
14 let you know what EQT felt about that. We thought about
15 jumping in when the whole discussion was going on, but
16 since we have these, we'd figured we'd just hold back.

17 BUTCH LAMBERT: Well, I saw you back there
18 trying to---.

19 JIM KAISER: But going forward on these, we'll
20 just ask that it status quo because---.

21 BUTCH LAMBERT: Okay.

22 JIM KAISER: ---you'll see in two out of three
23 of these, I believe that the lateral is pretty equal in

24

--

1 both units anyway.

2 BUTCH LAMBERT: Okay.

3 JIM KAISER: So---.

4 BUTCH LAMBERT: Okay. We'll go forward with
5 that.

6 DAVID ASBURY: A comment.

7 BUTCH LAMBERT: Yes, sir.

8 DAVID ASBURY: The reason that it was brought
9 back by our office and the staff is for two reasons: One,
10 statute; and two, consistency from all operators.

11 JIM KAISER: Right.

12 DAVID ASBURY: So, as the Board will decide to
13 do something different, I'm sure they would want to apply
14 that across the room.

15 JIM KAISER: Oh, we knew when that happened in
16 November that it wasn't going to stand up. We were
17 talking then.

18 DAVID ASBURY: That was my whole effort and our
19 staff's whole effort to be consistent for everyone and to
20 follow statute.

21 JIM KAISER: Sure. It has got to be the same
22 for everybody and you've got to follow the statute.

23 BUTCH LAMBERT: Okay. Okay. We're calling
24

1 docket item...did I already call docket item forty-five?

2 SHARON PIGEON: Who knows?

3 BUTCH LAMBERT: Well, we'll call it again.

4 JIM KAISER: That's fine. I don't think you
5 ever called forty-five. Yeah, I stopped you.

6 BUTCH LAMBERT: We'll it...if I did, we'll call
7 it again. A petition from EQT Production Company for a
8 well location exception for proposed well VH-531531,
9 docket number VGOB-10-1116-2873. All parties wishing to
10 testify, please come forward.

11 JIM KAISER: Mr. Chairman, Jim Kaiser, Eric
12 Strouth and Taylor Vactor. We'll start with Mr. Strouth.
13

14 ERIC STROUTH

15 having been duly sworn, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Mr. Strouth, has everybody been notified
20 as required by statute of this hearing?

21 A. Yes, they have.

22 JIM KAISER: Nothing further of this witness,
23 Mr. Chairman.

24

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1 BUTCH LAMBERT: Any questions from the Board?

2 (No audible response.)

3 BUTCH LAMBERT: You may continue, Mr. Kaiser.

4

5 TAYLOR VACTOR

6 having been duly sworn, was examined and testified as

7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. KAISER:

10 Q. Okay, Mr. Vactor, you have prepared a
11 handout for the Board to explain what we're asking to do
12 in this particular case.

13 A. That's correct.

14 Q. Go ahead. I think this is the one where
15 number three in Mr. Swartz's example would probably work
16 better for the royalty owner because the lateral is not
17 quite equal like it is in the other two. But just go
18 ahead and go through your packet.

19 A. Okay. (Inaudible) we would like to drill
20 a 4,150 foot lateral in a southwest...I'm sorry, that's a
21 southeast direction. That's incorrect on the...on the
22 exhibit there. The lateral would cross from one
23 previously established 320 acre horizontal unit into

24

--

1 another. It would start the lateral in conventional unit
2 EQT 2787 and cross into conventional horizontal unit 2810
3 approximately 3,400 feet of lateral is in unit 2787 and
4 750 feet of lateral is in 2810. We will maintain a
5 minimum of 600 foot distance from vertical wells that
6 produce from the same formation as the horizontal well.
7 On page BB, this shows the two units of which will be
8 crossing between. On page CC, this is a zoomed in shot.
9 Of the two units, the proposed lateral and the existing
10 wells that are drilled there is also two horizontal
11 locations that you can see that are orange dots. The one
12 that has the lateral associated with it. The other
13 doesn't have a lateral drawn with it but that's just
14 because it hasn't gone through the process far enough as
15 the other one.

16 Q. Okay. Would it be your testimony that at
17 this time that any royalty from production from this well
18 would be paid on a...in accordance with the statute on a
19 pro-rata basis? In other words, if John Smith had 80
20 acres of the 640 then he would receive one-eighth of the
21 one-eighth?

22 A. Yes.

23 Q. Is that correct?

24

--

1 JIM KAISER: Nothing further at this time, Mr.
2 Chairman.
3 BUTCH LAMBERT: Any questions from the Board?
4 MARY QUILLEN: Mr. Chairman, isn't that the same
5 discussion we had this morning?
6 BUTCH LAMBERT: I'm sorry, Ms. Quillen.
7 JIM KAISER: Well, has EQT had...if I could
8 interrupt you for a minute.
9 Q. Has EQT had previous variances approved
10 for a lateral crossing into two previously established
11 units wherein we and the Board agreed that the royalties
12 should be paid on a pro-rata basis based on a 640 acre
13 unit?
14 A. That's correct, yes.
15 Q. Okay. In accordance with the statute as
16 asked by Ms. Pigeon?
17 A. Yes.
18 JIM KAISER: Thank you.
19 DAVID ASBURY: Mr. Chairman, so you're
20 saying...so you're saying this center line really goes
21 away?
22 JIM KAISER: Right.
23 TAYLOR VACTOR: Essentially, yes.
24

1 JIM KAISER: Right.

2 DAVID ASBURY: And you've got a single unit?

3 JIM KAISER: Exactly.

4 DAVID ASBURY: And you're going to pay on an

5 acreage proportionate basis?

6 JIM KAISER: Right.

7 MARY QUILLEN: Okay. That was my question

8 is---.

9 JIM KAISER: I'm sorry?

10 MARY QUILLEN: ---that's all going to be

11 in...it's not going to be two?

12 JIM KAISER: Yeah, it will just be one---.

13 MARY QUILLEN: Okay. Okay. Okay. That

14 clarifies it. Thank you.

15 JIM KAISER: That's an invisible line now.

16 BUTCH LAMBERT: On CC, is the yellow dot

17 531..531531, is that the yellow dot?

18 TAYLOR VACTOR: Yes. That would be the top hole

19 for that well. That's correct.

20 KATIE DYE: Mr. Chairman, I have a question.

21 BUTCH LAMBERT: Mrs. Dye.

22 KATIE DYE: In looking at your lateral, it looks

23 it will be 3750. Is there some reason that you didn't

24

1 extend it further into the adjacent unit?

2 TAYLOR VACTOR: It is that we're again trying to
3 drill on that northwest/southeast direction to intersect
4 our fracture optimally. So, if we extend it further down
5 to the southeast, we would be getting too close to the
6 existing vertical well 2749 and we need to stay 600 feet
7 away from any vertical well producing from the same
8 formation as the horizontal.

9 KATIE DYE: Thank you.

10 TAYLOR VACTOR: Yeah.

11 JIM KAISER: So, basically, that's the direction
12 that we've got into to achieve the production that we
13 want to achieve and we've got to stop it there because
14 it's within 600 feet of that vertical?

15 TAYLOR VACTOR: Exactly.

16 BUTCH LAMBERT: And 2468 is the vertical well
17 because---.

18 TAYLOR VACTOR: That's correct. That's the
19 vertical well that's on the same pad.

20 BUTCH LAMBERT: And 531527 is a horizontal well?

21 TAYLOR VACTOR: Yeah, it's a horizontal
22 location. Yes.

23 BUTCH LAMBERT: Is that...the leg of that well

24

--

1 running in the same direction?

2 TAYLOR VACTOR: Yeah, it would run the same
3 general orientation to the southeast.

4 BILL HARRIS: Can I ask a question about that
5 one?

6 BUTCH LAMBERT: Yes.

7 BILL HARRIS: In our original plat that one is
8 shown and it's...the 527 is actually shown...I guess
9 that's a proposed...yeah, it does say proposed lateral.
10 So, those laterals are somewhat parallel. They're not
11 exactly parallel, but somewhat running in the same
12 direction.

13 TAYLOR VACTOR: Yeah, I guess they're not
14 parallel because we're trying to optimize the shape of
15 that unit and get the most lateral length that we can
16 while trying to stay in that same general
17 northwest/southeast orientation.

18 BILL HARRIS: Okay. Well, let me ask then about
19 payout then, once that invisible line that we've decided
20 is removed and then we have, what, 640. How is that paid
21 out since that's entirely in that...I may be getting
22 ahead. But how is that paid out relative to the other
23 well that we've already decided is going to be shared, I

24

--

1 guess.

2 TAYLOR VACTOR: Yeah. I guess, this location
3 exception is only for this horizontal well where we're
4 erasing that middle line between the two. So, in the
5 case of the 1527...531527 well it would pay out on that
6 single 320 unit to the east.

7 JIM KAISER: Unless we cross into...unless we
8 come back to you on 1527 and put another unit here and
9 cross into that and erase that one.

10 TAYLOR VACTOR: Yeah. Decide to extend it
11 further, right. As of right now, that would be the plan
12 once we come back.

13 BILL HARRIS: So, these are in different...one
14 of the units is 320 and the other one is 640, is
15 that...even though the 640 actually overlaps 320 of that?

16 TAYLOR VACTOR: That's correct.

17 JIM KAISER: Yeah, we wouldn't pay...if the
18 lateral doesn't go into two units, we won't pay two
19 units.

20 BILL HARRIS: You wouldn't pay into that, okay.

21 JIM KAISER: Right.

22 TAYLOR VACTOR: Yes.

23 BUTCH LAMBERT: Is this a revised exhibit?

24

--

1 JIM KAISER: My is stated 8/30. What's that
2 one?
3 MARY QUILLEN: Yeah. The second one is not
4 shown on this one.
5 JIM KAISER: Yeah, it would be revised. It
6 should say 11/29 on it.
7 BUTCH LAMBERT: So, what's the difference?
8 ERIC STROUTH: I think that original left off
9 some of the drilled wells, if I'm not mistaken. That was
10 back in November. I think that was what it was.
11 JIM KAISER: It looks like it left off all of
12 the drilled wells.
13 ERIC STROUTH: Yeah, they may not have had that
14 layer on their mapping system.
15 JIM KAISER: Yeah.
16 BUTCH LAMBERT: Well, this revised one doesn't
17 show 531527. Yes, it does. I see it. I'm sorry. It
18 just doesn't show that...the leg that the other...the
19 original one. Okay, thank you. Any further questions
20 from the Board?
21 (No audible response.)
22 BUTCH LAMBERT: Anything further, Mr. Kaiser?
23 JIM KAISER: We'd ask that the application be
24

1 approved as submitted, Mr. Chairman.

2 MARY QUILLEN: Motion to approve.

3 BUTCH LAMBERT: With the revised Exhibit AA?

4 JIM KAISER: Yes, sir.

5 MARY QUILLEN: With the revised Exhibit 8A...AA.

6 BILL HARRIS: Second.

7 BUTCH LAMBERT: I have a motion and a second.

8 Any further discussion?

9 (No audible response.)

10 BUTCH LAMBERT: All those in favor, signify by

11 saying yes.

12 (All members signify by saying yes, but Bruce

13 Prather.)

14 BUTCH LAMBERT: Opposed, no.

15 BRUCE PRATHER: One abstention.

16 BUTCH LAMBERT: One abstention, Mr. Prather.

17 Mr. Kaiser, it's approved. Calling docket item forty-

18 six, a petition from EQT Production Company for a well

19 location exception for proposed well VH-531519, docket

20 number VGOB-10-1116-2874. All parties wishing to

21 testify, please come forward.

22 JIM KAISER: Mr. Chairman, Jim Kaiser, Eric

23 Strouth and Taylor Vactor for EQT Production Company.

24

1 Mr. Taylor is handing out his...Mr. Vactor is handing out
2 his...ssh, it has been a long day. Handing out his
3 packet to help with his testimony. Mr. Strouth is
4 handing out a updated plat basically, isn't it? It's not
5 really revised is it?

6 ERIC STROUTH: Yeah, it's just updated. I think
7 they had left off some of the original drilled wells.

8 JIM KAISER: Okay. There will be two questions
9 then for Mr. Strouth.

10

11 ERIC STROUTH
12 having been duly sworn, was examined and testified as
13 follows:

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. KAISER:

16 Q. Mr. Strouth, has everybody been notified
17 as required by statute of this hearing, that being all
18 oil, gas and coal owners?

19 A. Yes, they have.

20 Q. And have we received the green card back
21 from all of them?

22 A. Yes.

23 Q. And your updated plat is just updated to
24

--

1 provide some additional information regarding previously
2 drilled vertical wells that didn't show up on the
3 original?

4 A. That's correct.

5 JIM KAISER: Okay. Nothing further of this
6 witness, Mr. Chairman.

7 BUTCH LAMBERT: Any questions from the Board?

8 (No audible response.)

9 BUTCH LAMBERT: You may continue, Mr. Kaiser.

10

11 TAYLOR VACTOR

12 having been duly sworn, was examined and testified as
13 follows:

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. KAISER:

16 Q. Mr. Vactor, if you want to go through
17 your handout for this particular variance.

18 A. Okay. So, for 531519 our plan to drill a
19 4,200 foot vertical section lateral drilled in a
20 northwest direction. The lateral will cross from one
21 previously established 320 acre unit into another.

22 We would start the lateral in conventional
23 unit...horizontal unit EQT 2789 and cross into

24

--

1 conventional horizontal unit EQT 2788 approximately 2,158
2 feet of the lateral would be in unit EQT 2789 and 2050
3 feet of the lateral would be in 2788. We will maintain a
4 minimum of 600 foot distance from vertical wells that
5 produce from the same formation as the horizontal well.
6 On page BB, you see a screen shot of the two horizontal
7 units that we will be crossing between that were
8 previously established. On page CC, you see a zoomed in
9 map showing the proposed horizontal and the two units
10 that we are crossing in between. Again, essentially,
11 what we're doing in this case for horizontal 531519 is
12 removing that boundary between the two units for this
13 well only.

14 JIM KAISER: And this obviously, if we were
15 to...at the end of the day, stick with the...you know,
16 what we've got right now, this would be the model
17 situation because that lateral has got to be almost
18 exactly the same in both units.

19 MARY QUILLEN: So, this is the...I have a just
20 one question, Mr. Chair.

21 BUTCH LAMBERT: Ms. Quillen.

22 MARY QUILLEN: This is becoming a 640 again that
23 division line is...okay. So, we have one unit---?

24

--

1 JIM KAISER: Yes, ma'am.

2 MARY QUILLEN: ---and everybody in there is---?

3 JIM KAISER: Paid proportionately.

4 MARY QUILLEN: Okay.

5 BUTCH LAMBERT: Any other questions from the

6 Board?

7 (No audible response.)

8 BUTCH LAMBERT: Anything further, Mr. Kaiser?

9 JIM KAISER: We'd ask that the application be

10 approved as submitted, Mr. Chairman.

11 BUTCH LAMBERT: Do I have a motion?

12 MARY QUILLEN: Motion to approve with revised

13 exhibits.

14 BILL HARRIS: Second.

15 BUTCH LAMBERT: I have a motion and a second.

16 Any further discussion?

17 (No audible response.)

18 BUTCH LAMBERT: All those in favor, signify by

19 saying yes.

20 (All members signify by saying yes, but Bruce

21 Prather.)

22 BUTCH LAMBERT: Opposed, no.

23 BRUCE PRATHER: Abstain.

24

1 BUTCH LAMBERT: One abstention, Mr. Prather.
2 Calling docket item forty-seven, a petition from EQT
3 Production Company for a well location exception for
4 proposed well VH-531555, docket number VGOB-10-1116-2875.

5 All parties wishing to testify, please come forward.

6 JIM KAISER: Mr. Chairman, Jim Kaiser, Eric
7 Strouth and Taylor Vactor for EQT Production Company.

8 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

9
10 ERIC STROUTH
11 having been duly sworn, was examined and testified as
12 follows:

13 DIRECT EXAMINATION

14 QUESTIONS BY MR. KAISER:

15 Q. Mr. Strouth, in this case, we actually
16 force pooled this unit earlier today, didn't we?

17 A. Uh-huh.

18 Q. I thought it looked familiar. Have all
19 parties been notified as required by statute?

20 A. Yes, they have.

21 Q. That being Penn Virginia Operator, N-Gas
22 Resources and Interstate Railroad?

23 A. Yes.

24

--

1 Q. Okay. Did you have a...any handouts to
2 the Board on this one?

3 A. Actually, no, I did not.

4 JIM KAISER: Okay. No further questions from
5 this witness, Mr. Chairman.

6 BUTCH LAMBERT: Questions from the Board?

7 (No audible response.)

8 BUTCH LAMBERT: You may continue, Mr. Kaiser.

9

10 TAYLOR VACTOR

11 having been duly sworn, was examined and testified as
12 follows:

13 DIRECT EXAMINATION

14 QUESTIONS BY MR. KAISER:

15 Q. Mr. Vactor, if you want to take your
16 proposal and go through that for the Board at this point
17 for this variance request.

18 A. Okay. So, for well 531555, we plan to
19 drill a 4,450 foot lateral in a northwest direction. The
20 lateral would cross from one previously established 320
21 acre unit into another. We will start the lateral in
22 conventional horizontal unit EQT 2830 and cross into
23 conventional horizontal unit EQT 2762. Approximately,

24

--

1 1,320 feet vertical section of lateral in the...will be
2 in the unit EQT 2830 and 3,130 feet of lateral will be in
3 EQT 2762. Again, we will maintain a minimum of 600 feet
4 offset from any vertical well that produces from the same
5 formation as the horizontal well. On page BB, a screen
6 shot shows the two units in comparison to each other in a
7 blowback map. On item number CC, this shows a zoomed in
8 map of the units and the proposed horizontal well
9 crossing between the two units. Again, this will
10 essentially become a 640 acre unit as that middle
11 boundary between the two units will essentially be
12 abolished for this well only.

13 Q. So, we're requesting the same thing that
14 we did in the previously two hearings except these units
15 are stacked north/south rather than east/west?

16 A. Exactly.

17 JIM KAISER: Nothing further at this time, Mr.
18 Chairman.

19 BUTCH LAMBERT: Questions...questions from the
20 Board?

21 (No audible response.)

22 MARY QUILLEN: Now, this petition is for a well
23 location exception and the well that you are closest to
24

1 is the 1...133682?

2 JIM KAISER: Yes, ma'am. Actually, in this
3 case, you're right. This...we're actually not only
4 asking for a variance to cross into two units, but we do
5 have a vertical well that's less than 600 feet.

6 MARY QUILLEN: Right. Right.

7 TAYLOR VACTOR: I'm sorry. We will not be
8 producing though within 600 feet from that vertical well.
9 We won't have our top packer...our top completion packer
10 within 600 feet of that vertical well. So, we will be
11 abiding by what I said on page AA that we will maintain
12 that 600 foot distance production wise.

13 JIM KAISER: Very good.

14 MARY QUILLEN: Well, the information here says
15 that it's only 36.86 feet northwest of the proposed well.

16 TAYLOR VACTOR: Yeah. The way it works is that
17 in general if we do like a 10 degree build rate while
18 we're drilling these horizontals whenever we---.

19 MARY QUILLEN: You do what?

20 TAYLOR VACTOR: Whenever we drill horizontally,
21 we stay vertically and then start to build outward
22 horizontally, okay. We do about 10 degrees every 100
23 feet generally. That can vary. But if we do a 10

24

--

1 degree...10 degree build rate we'll generally land about
2 600 feet away from where we started building. So---.

3 MARY QUILLEN: Before you make your turn?

4 TAYLOR VACTOR: No. Whenever we actually land
5 horizontally---.

6 JIM KAISER: Before you start producing.

7 TAYLOR VACTOR: Yeah. 600 feet away from where
8 we started vertically. So, we'll be about 630 feet away
9 from that vertical well and we won't actually even put
10 our top completion packer until we are definitely 600
11 feet away from that vertical well. So, we won't be
12 fracing or producing from that same formation that's in
13 the 600---.

14 MARY QUILLEN: Okay. So, it won't be on the
15 surface, but it will be in your...okay. That was my
16 question---.

17 TAYLOR VACTOR: Exactly. You got it.

18 MARY QUILLEN: ---where was that 600 feet coming
19 from, but it's---.

20 TAYLOR VACTOR: Yeah.

21 MARY QUILLEN: ---not on the surface, it's with
22 your vertical and your---.

23 TAYLOR VACTOR: Yeah. It's once you actually
24

1 get out in three dimensions of the horizontal away from
2 that vertical starting point.

3 MARY QUILLEN: Right. Okay. Okay.

4 TAYLOR VACTOR: You got it.

5 MARY QUILLEN: That's really hard to determine
6 from what information that you've been given.

7 TAYLOR VACTOR: Yeah. Yeah. Exactly.

8 MARY QUILLEN: It's the reason we want to
9 question it.

10 ERIC STROUTH: If you guys will look at your
11 exhibits, the plat, you can look at the top hole of the
12 well and then look in line and there will be another dot
13 and it will say "Arc Section 650". I do apologize.
14 That's really small and---.

15 MARY QUILLEN: This, it's unreadable. That's
16 the reason that we have to ask questions.

17 BILL HARRIS: Let me ask a question also. This
18 is just for personal interest, I guess. That lateral, of
19 course, goes up to the northeast. Would you ever foresee
20 drilling...back drilling back down to the southeast?

21 TAYLOR VACTOR: Potentially...obviously, if we
22 were going to do that, there's not that much space left
23 within sight of the existing unit. So, we might have to

24

--

1 create another unit below that or to the east of that and
2 come down and do that and actually cross into a new unit.
3 But I'd have to look at the map going back and see what
4 we already have existing. But it's a possibility.

5 BILL HARRIS: Thank you.

6 TAYLOR VACTOR: Uh-huh.

7 BUTCH LAMBERT: Any other questions?

8 (No audible response.)

9 BUTCH LAMBERT: Anything further, Mr. Kaiser?

10 JIM KAISER: We'd ask that the application be
11 approved as submitted, Mr. Chairman.

12 BUTCH LAMBERT: Do I have a motion?

13 KATIE DYE: Motion to approve.

14 BUTCH LAMBERT: I have a motion to approve. Do
15 I have a second.

16 BILL HARRIS: Second.

17 BUTCH LAMBERT: I have a motion and a second.
18 Any further discussion?

19 (No audible response.)

20 BUTCH LAMBERT: All those in favor, signify by
21 saying yes.

22 (All members signify by saying yes, but Bruce
23 Prather.)

24

1 BUTCH LAMBERT: Opposed, no.

2 BRUCE PRATHER: Abstain.

3 BUTCH LAMBERT: One abstention Mr. Prather.

4 Thank you, Mr. Kaiser. It's approved.

5 JIM KAISER: Thank you.

6 BUTCH LAMBERT: Calling docket item forty-nine,
7 a petition from EQT Production Company for re-pooling of
8 coalbed methane unit VC-536630, docket number VGOB-09-
9 1117-2633-01. All parties wishing to testify, please
10 come forward.

11 JIM KAISER: Mr. Chairman, Jim Kaiser and Rita
12 Barrett for EQT Production Company. We have a revised
13 exhibit that Mr. Strouth will hand out.

14 RITA BARRETT: It's just an address change.

15 JIM KAISER: And it's an address change.

16

17 RITA BARRETT

18 having been duly sworn, was examined and testified as
19 follows:

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. KAISER:

22 Q. Ms. Barrett, are you familiar with the
23 application...this is actually a re-pooling, isn't it?

24

--

1 A. It is.

2 Q. Why is that?

3 A. We were working a well...an increased

4 density well in this unit and we found an additional

5 tract that had been missed.

6 Q. All right. And you're familiar with the

7 application that we filed seeking to pool any unleased

8 interest in this unit?

9 A. I am.

10 Q. Does EQT own drilling rights in the unit

11 involved here?

12 A. Yes, we do.

13 Q. Prior to the filing of the application,

14 were efforts made to contact each respondent and an

15 attempt made to work out a voluntary lease agreement with

16 each?

17 A. Yes.

18 Q. What's the interest under lease to EQT in

19 the gas estate?

20 A. 99.18%.

21 Q. The coal estate?

22 A. 100%.

23 Q. Are all unleased parties set out in

24

1 revised B-3?

2 A. Yes.

3 Q. So, all that remains unleased is 0.82% of
4 the gas estate?

5 A. That's correct.

6 Q. Okay. Do we have any unknowns in this
7 unit?

8 A. No.

9 Q. Are you requesting the Board to force
10 pool all unleased interest listed in revised Exhibit B-3?

11 A. I am.

12 Q. Are you familiar with the fair market
13 value of drilling rights in the unit here and in the
14 surrounding are?

15 A. I am.

16 Q. Could you advise the Board as to what
17 those are?

18 A. Yes. Twenty-five dollars per acre for a
19 five year term and a one-eighth royalty.

20 Q. In your opinion, do the terms that you
21 just testified to represent the fair market value of and
22 the fair and reasonable compensation---?

23 A. Yes.

24

1 Q. ---to be paid for drilling rights within
2 this unit?

3 A. I'm sorry. Yes.

4 JIM KAISER: That's fine. Mr. Chairman, we'd
5 again ask that the statutory election options afforded
6 any unleased parties and their time periods in which to
7 make those be incorporated as taken in item 2856 earlier
8 today.

9 BUTCH LAMBERT: Accepted.

10 Q. Ms. Barrett, does the Board need to
11 establish an escrow account for this unit?

12 A. Yes. For Tracts 2, 3, 4 and 5.

13 Q. Okay. And who should be named operator
14 under any pooling order?

15 A. EQT Production Company.

16 Q. The total depth of the proposed well?

17 A. 2,351 feet.

18 Q. The estimated reserves over the life of
19 the life of the unit?

20 A. 200 million cubic feet.

21 Q. Has an AFE been reviewed, signed and
22 submitted to the Board as Exhibit C?

23 A. Yes.

24

--

1 Q. In your opinion, does it represent a
2 reasonable estimate of well costs?

3 A. Yes, it does.

4 Q. Could you state the dry hole costs and
5 completed well costs for this well?

6 A. Yes, dry hole costs are \$176,018.
7 Completed well costs are \$400,493.

8 Q. Do these costs anticipate a multiple
9 completion?

10 A. Yes.

11 Q. Does your AFE include a reasonable charge
12 for supervision?

13 A. Yes.

14 Q. In your professional opinion, would the
15 granting of this application be in the best interest of
16 conservation, the prevention of waste and the protection
17 of correlative rights?

18 A. Yes.

19 JIM KAISER: Nothing further at this time, Mr.
20 Chairman.

21 BUTCH LAMBERT: Any questions from the Board?

22 (No audible response.)

23 BUTCH LAMBERT: Anything further, Mr. Kaiser?

24

--

1 JIM KAISER: We'd ask that the application be
2 approved as submitted.

3 BUTCH LAMBERT: Do I have a motion?

4 MARY QUILLEN: Motion to approve.

5 BRUCE PRATHER: Second.

6 BUTCH LAMBERT: I have a motion and a second.
7 Any further discussion?

8 (No audible response.)

9 BUTCH LAMBERT: All those in favor, signify by
10 saying yes.

11 (All members signify by saying yes.)

12 BUTCH LAMBERT: Opposed, no.

13 (No audible response.)

14 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
15 approved.

16 JIM KAISER: Thank you.

17 RITA BARRETT: Thank you.

18 JIM KAISER: Thank you for your patience.

19 BUTCH LAMBERT: You only missed by ten minutes.

20 RITA BARRETT: Yeah, I know you guys are tired.
21 Thanks.

22 JIM KAISER: (Inaudible) off ten minutes.

23 RITA BARRETT: I appreciate it.

24

--

1 JIM KAISER: Not bad.
2 (Off record discussion.)
3 BUTCH LAMBERT: Folks, we're going to take just
4 a five minute break.
5 SHARON PIGEON: Just settled in. Just settle
6 in.
7 BUTCH LAMBERT: Our recorder has got to go.
8 (Break.)
9 BUTCH LAMBERT: Okay, ladies and gentlemen,
10 let's go ahead and get started back. We're...we're
11 actually doing pretty good. We're calling docket item
12 number fifty, a petition from GeoMet Operating Company,
13 Inc. for pooling of coalbed methane gas unit 419VA, unit
14 F-36, docket number VGOB-10-1116-2877. All parties
15 wishing to testify, please come forward.
16 TOM MULLINS: On behalf of GeoMet, my name is
17 Tom Mullins with the Street Law Firm. I'm here today
18 with Rocky Stilwell and Dallas Nestle of GeoMet and also
19 Tim Blackburn who is their engineer/geologist guy.
20 (Rocky Stilwell, Justin Phillips and Tim
21 Blackburn are duly sworn.)
22 TOM MULLINS: Mr. Chairman, I handed some things
23 out and I would like to explain those handouts before we
24

1 get started. One of the things that was discovered when
2 the title work was done...what we thought we discovered
3 was that Cabot may have had an interest in some of the
4 assignments that Appalachian Energy actually has. We've
5 listed that on the original application. Between the
6 time of filing the application and today, we have gotten
7 a document, which you should have, a partial assignment
8 where Cabot released that back to Appalachian. So, we've
9 submitted revised Exhibit Bs and B-3s because of this
10 release back. Cabot is no longer an interested party.

11 JUSTIN PHILLIPS: That's correct.

12 TOM MULLINS: So, that's why all of those
13 documents have been provided to the Board. This partial
14 assignment will apply to the next one on unit F-35 as
15 well. But, otherwise, I'm ready to proceed.

16 BUTCH LAMBERT: You may proceed.

17

18 ROCKY RENO STILWELL

19 having been duly sworn, was examined and testified as
20 follows:

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. MULLINS:

23 Q. Would you please state your full name?

24

--

1 A. Rocky Reno Stilwell.

2 Q. And by whom are you employed?

3 A. GeoMet Operating Company.

4 Q. Could you tell the Board what your job

5 duties are?

6 A. Land and permitting agent.

7 Q. Okay. Are you familiar with this

8 application for unit F-36?

9 A. Yes.

10 Q. And what is your understanding of the

11 size of the unit?

12 A. 80.11 acres.

13 Q. Is this an Oakwood unit?

14 A. Yes.

15 Q. And, again, it's unit designated F-36, is

16 that correct?

17 A. Yes.

18 Q. And does GeoMet have drilling rights for

19 this unit?

20 A. Yes.

21 Q. To your knowledge, are there any party

22 respondents listed on Exhibit B-3 who should be dismissed

23 aside from Cabot? We've talked about Cabot.

24

1 A. No.

2 Q. Okay. And the ownership interest of the
3 coal that GeoMet has under lease, what is that?

4 A. 70.93%.

5 Q. And gas?

6 A. 70.93%.

7 Q. Okay. And notice was sent as required by
8 statute, is that correct?

9 A. Yes.

10 Q. And we have provided an affidavit to Mr.
11 Asbury's office. Is GeoMet authorized to do business in
12 the Commonwealth of Virginia?

13 A. Yes.

14 Q. And it has on file with the department a
15 bond?

16 A. Yes.

17 Q. Okay. Could you explain the terms that
18 GeoMet offers to folks who lease?

19 A. GeoMet offers twenty dollars per acres
20 for a five year paid up lease with a one-eighth royalty.

21 Q. Okay. Based on your experience in the
22 gas and oil industry, do you consider that a fair and
23 reasonable lease term?

24

1 A. Yes.

2 Q. Okay. What is the percentage of the oil
3 and gas estate that GeoMet is seeking to pool here today?

4 A. 29.07%.

5 Q. And that's the same amount of the coal
6 estate, is that correct?

7 A. Yes.

8 Q. Okay. There are no unknown or
9 unlocateable owners in this application, are there?

10 A. No.

11 Q. Okay. And there's...there's no parties
12 that...whose interests are in dispute?

13 A. No.

14 Q. Okay. And on behalf of GeoMet, you are
15 asking that the Board pool the unleased interest, is that
16 correct?

17 A. Yes.

18 Q. To whose attention should correspondence
19 be sent from these folks to GeoMet?

20 A. To the attention of Joseph L. Stevens,
21 Land Manager, GeoMet Operating Company, Inc., 5336
22 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama.

23 Q. Okay. And do you know what the total
24

1 depth of the well proposed for this unit is?

2 A. Yes. 2,070 feet.

3 Q. And the estimated reserves?

4 A. 821 million.

5 Q. Okay. And the estimated well completion

6 costs?

7 A. \$481,313.

8 Q. And dry hole costs?

9 A. \$244,684.

10 Q. And was there an exhibit attached to the

11 application that outlined these costs?

12 A. Yes.

13 Q. And do the well costs include a

14 reasonable charge for the supervision of the drilling of

15 the well?

16 A. Yes.

17 Q. Based on your experience in the gas

18 industry, would the granting of this application promote

19 conservation, protect correlative rights and prevent

20 waste?

21 A. Yes.

22 TOM MULLINS: You may answer any of the

23 questions that the Board members may have. We still have

24

1 Mr. Blackburn on the---.

2 BUTCH LAMBERT: Okay. Any questions from the
3 Board?

4 (No audible response.)

5 BUTCH LAMBERT: Mr. Stilwell, is your bonus
6 recoupable.

7 ROCKY RENO STILWELL: No. We don't recoup our
8 loss.

9 BUTCH LAMBERT: Thank you. Any other questions
10 from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: You may continue, Mr. Mullins.

13

14 TIM BLACKBURN

15 having been duly sworn, was examined and testified as
16 follows:

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. MULLINS:

19 Q. Would you please state your name?

20 A. Tim Wesley Blackburn.

21 Q. And what do you do for a living, Mr.
22 Blackburn?

23 A. I'm a professional geologist and project

24

--

1 manager for T Engineering and a consultant for GeoMet.

2 Q. All right, sir. And either you or
3 someone at your company at your direction has prepared
4 some exhibits showing depictions of mine works for unit
5 F-36, is that correct?

6 A. Yes.

7 Q. And, hopefully, we have those in the
8 correct order this time around, do we not?

9 A. I hope so.

10 Q. Okay. The top one I would like to label
11 as Exhibit AA with permission from the Board. Could you
12 explain to the Board what that first plat shows?

13 A. This plat shows as the legend indicates
14 the existing abandoned mine workings in the Red Ash seam
15 in reference to our well and the F-36 unit.

16 Q. All right, sir. And the next one, which
17 we'll call BB?

18 A. This, it represents the same thing in
19 Jawbone. Again, you see it's blank. There's no known
20 mine workings in the Jawbone seam.

21 Q. Okay.

22 A. And none proposed.

23 Q. The next page, which will call CC?

24

--

1 A. This shows F-36, the unit and the well
2 location. It's kind of an area...a bigger area showing
3 in the red existing abandoned Red Ash works. If you see
4 up in the northwest corner in the blue, those are
5 abandoned mine workings in the Jawbone, which are the
6 nearest workings that we know of.

7 Q. All right, sir. Then the next page,
8 which we'll label DD?

9 A. This exhibit shows the surrounding units
10 relative to F-36 and our 419 well. We're showing the
11 ownership as well.

12 Q. And the last one, which will label as EE?

13 A. It's the unit and the well location shown
14 on the topographic map so that you get an idea of the
15 terrain and the surroundings.

16 TOM MULLINS: Answer any questions that any
17 members of the Board may have, sir.

18 BUTCH LAMBERT: Any questions from the Board?

19 (No audible response.)

20 BUTCH LAMBERT: Anything further, Mr. Mullins?

21 TOM MULLINS: No, sir.

22 BUTCH LAMBERT: Do I have a motion?

23 MARY QUILLEN: Motion to approve.

24

--

1 BRUCE PRATHER: Second.

2 BUTCH LAMBERT: I have a motion and a second.
3 Any further discussion?

4 (No audible response.)

5 BUTCH LAMBERT: All those in favor, signify by
6 saying yes.

7 (All members signify by saying yes.)

8 BUTCH LAMBERT: Opposed, no.

9 (No audible response.)

10 BUTCH LAMBERT: Thank you, Mr. Mullins. It's
11 approved. We're calling docket item fifty-one, a
12 petition from GeoMet Operating Company, Inc. for pooling
13 of conventional gas unit 418VA -F-3...F-35, docket number
14 VGOB-10-1116-2877. All parties wishing to testify,
15 please come forward.

16 TOM MULLINS: Tom...Tom Mullins on behalf of
17 GeoMet, Rocky Stilwell and Tim Blackburn as well.

18 BUTCH LAMBERT: You may proceed, Mr. Mullins.

19

20 ROCKY RENO STILWELL

21 having been duly sworn, was examined and testified as
22 follows:

23 DIRECT EXAMINATION

24

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1 QUESTIONS BY MR. MULLINS:

2 Q. Would you please state your name?

3 A. Rocky Stilwell.

4 Q. And what do you do for a living, Mr.
5 Stilwell?

6 A. I'm a land and permitting agent for
7 GeoMet Operating Company.

8 Q. Are you familiar with unit F-35?

9 A. Yes.

10 Q. How many acres are there in unit F-35?

11 A. 80.19.

12 Q. Okay. This is an Oakwood unit?

13 A. Yes.

14 Q. Okay. Does GeoMet assess the drilling
15 rights for this unit?

16 A. Yes.

17 Q. To your knowledge, aside from the Cabot
18 interest that we've...thank you...that we talked about
19 earlier, are there any other parties that need to be
20 dismissed?

21 A. No.

22 Q. And the purpose of handing out
23 Exhibit...new Exhibits B and B-3 was that Cabot

24

--

1 assignment back to AEI, is that correct?

2 A. Yes.

3 TOM MULLINS: Okay. Mr. Chairman, do I need to
4 submit another copy of that assignment for the record or
5 is the one that I---?

6 BUTCH LAMBERT: The one that you submitted will
7 be sufficient for both. Thank you.

8 TOM MULLINS: All right. Thank you.

9 Q. What is the percentage of the coal
10 ownership that GeoMet has under lease for this unit?

11 A. 72.37.

12 Q. And that's the same amount of gas, is
13 that correct?

14 A. Yes.

15 Q. And the notice was sent as required by
16 statute by certified mail?

17 A. Yes.

18 Q. And I believe we've given an Affidavit to
19 the mailing to Mr. Asbury's office. Does GeoMet have
20 their required bond on file with the department?

21 A. Yes.

22 Q. And the lease terms are the same as you
23 testified to earlier?

24

--

1 A. Yes.

2 Q. What is the percentage of the oil and gas
3 estate that GeoMet is seeking to pool in this
4 application?

5 A. 27.63%.

6 Q. That's the same percentage of the coal
7 estate?

8 A. Yes.

9 Q. And there are no unknown or unlocateable
10 owners, is that correct?

11 A. Yes. No owners, yes.

12 Q. Okay, let me ask it again to make sure
13 the record is clear.

14 A. They're no owners.

15 Q. There are...are there any unknown or
16 unlocateable owners?

17 A. No.

18 Q. Okay. Are there any parties whose
19 interest are in dispute?

20 A. No.

21 Q. Okay. Are you asking the Board on behalf
22 of GeoMet to pool the unleased interest in this unit?

23 A. Yes.

24

1 Q. And to whose attention and address should
2 correspondence be sent?

3 A. To the attention of Joseph L. Stevens,
4 Land Manager, GeoMet Operating Company, Inc., 5336
5 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama.

6 Q. All right, sir. And what's the total
7 depth of this well?

8 A. 1,823 feet.

9 Q. And the estimated reserves?

10 A. 821 million.

11 Q. And the well completion cost estimate,
12 what is that?

13 A. \$427,917.

14 Q. And the dry hole costs?

15 A. \$192,790.

16 Q. And as an exhibit to the application, was
17 a listing or a document prepared showing these estimated
18 costs?

19 A. Yes.

20 Q. Okay. And does that estimated well cost
21 include a reasonable charge for supervision?

22 A. Yes.

23 Q. Okay. In your opinion, would the
24

1 granting of this application, promote conservation,
2 protect correlative rights and prevent waste?

3 A. Yes.

4 TOM MULLINS: I have no other questions, Mr.
5 Chairman.

6 JUSTIN PHILLIPS: Mr. Chairman, if I could,
7 Justin Phillips for Appalachian Energy and Mr.
8 Mullins---.

9 BUTCH LAMBERT: Okay. You were sworn, weren't
10 you, Mr. Phillips?

11 COURT REPORTER: Yes.

12 JUSTIN PHILLIPS: Yes, Mr. Chairman. Tract 2,
13 did your alls Exhibit B, does it show all of the coalbed
14 methane leased to Appalachian?

15 TOM MULLINS: It does.

16 JUSTIN PHILLIPS: Okay. I didn't get a copy of
17 it. I just wanted to make sure.

18 TOM MULLINS: I'll give you a copy. Here's B-3
19 and B.

20 JUSTIN PHILLIPS: I appreciate it. I'm good.

21 BUTCH LAMBERT: Is it okay, Mr. Phillips?

22 JUSTIN PHILLIPS: Yes. Thank you.

23 BUTCH LAMBERT: Okay.

24

--

1 TOM MULLINS: Okay.

2 BUTCH LAMBERT: Any questions from the Board?

3 (No audible response.)

4 BUTCH LAMBERT: Anything further, Mr. Mullins?

5 TOM MULLINS: Yes, I'm going to hand out.

6

7 TIM BLACKBURN

8 having been duly sworn, was examined and testified as

9 follows:

10 DIRECT EXAMINATION

11 QUESTIONS BY MR. MULLINS:

12 Q. Would you please state your name, please?

13 A. Tim Wesley Blackburn.

14 Q. And who do you work for?

15 A. Professional geologist, project manager
16 for T Engineering, contractors for GeoMet.

17 Q. And at the request of GeoMet, did you
18 prepare some plats to indicate where mine works were in
19 relation to this unit and the well spot...the approximate
20 well spot?

21 A. We did.

22 Q. All right. And, again, hopefully, these
23 are in the same order as the exhibits that have been

24

--

1 handed out. Could you tell the Board what this top
2 exhibit is showing? We'll call AA.

3 A. In the legend, this is an exhibit showing
4 the unit. The well...referencing the well location and
5 abandoned mine workings in the Red Ash seam.

6 Q. And the next page, which we will call BB,
7 what does it show?

8 A. The next page is showing the Jawbone mine
9 workings, which there is none and none planned as far as
10 we know.

11 Q. Okay. And the next page, which we will
12 call CC?

13 A. This unit has...if you'll see in the
14 southern southeast...or southwest corner some existing
15 and abandoned mine workings in the P-3 seam.

16 Q. All right, sir. And the next sheet,
17 which we will label DD?

18 A. It's a topo background showing the unit,
19 the well location and abandoned mine workings in the Red
20 Ash shown in red. To the north in the blue, those are
21 abandoned mine workings in the Jawbone.

22 Q. And the next sheet, which we will call
23 D...excuse me, EE. What does that show?

24

--

1 A. It shows the surrounding units. The
2 surrounding unit F-35 and the ownership.

3 Q. And the last one, which we will call FF?

4 A. It's just the unit boundary and the well
5 location show on a topographic background.

6 JIM KAISER: You may answer any questions that
7 any Board member may have.

8 BUTCH LAMBERT: Mr. Blackburn, thank you for the
9 maps. Those were very helpful. I appreciate those.

10 TIM BLACKBURN: Thank you.

11 BUTCH LAMBERT: Any questions from the Board?
12 (No audible response.)

13 BUTCH LAMBERT: Anything further, Mr. Mullins?

14 TOM MULLINS: No, sir.

15 BUTCH LAMBERT: Do I have a motion?

16 MARY QUILLEN: Motion to approve.

17 BRUCE PRATHER: Second.

18 BUTCH LAMBERT: I have a motion and a second.
19 Any further discussion?

20 (No audible response.)

21 BUTCH LAMBERT: All those in favor, signify by
22 saying yes.

23 (All members signify by saying yes.)

24

1 BUTCH LAMBERT: Opposed, no.
2 (No audible response.)
3 BUTCH LAMBERT: Thank you, Mr. Mullins. It's
4 approved.
5 TIM BLACKBURN: Thank you.
6 TOM MULLINS: I may have one other thing with
7 the leave of the Board.
8 (Laughs.)
9 TOM MULLINS: I'm happy to bring it up at a
10 later time. We have a exhibit to an order that has
11 previously been entered that does not have the correct
12 plat attached to the order. The order recites the
13 correct acreage in its...in the body of the order. But
14 the plat identified the acreages...a different amount of
15 acreage for the unit, 79...I'll put my finger on it here
16 in a minute. What I am proposing to do is to...I think
17 the plat that was submitted into evidence was the 80 acre
18 plat. I'd like to have that 80 acre plat attached to the
19 order. We're paying right now, according to the 80 acre
20 unit, as the order states. But I don't want any
21 confusion in the future, is that makes sense.
22 SHARON PIGEON: How did the wrong plat get
23 attached to it?
24
--

1 TOM MULLINS: I sent it by...I mean, it's my
2 fault.

3 SHARON PIGEON: Oh, okay. Just so we all know.
4 (Laughs.)

5 TOM MULLINS: I mean, it is what it is. But,
6 you know, I just need to...I need to fix that error.

7 BUTCH LAMBERT: That's Mr. Mullins' first
8 mistake.

9 (Laughs.)

10 SHARON PIGEON: A day of first. We've had two
11 first today.

12 TOM MULLINS: And if...if I can do that, I can
13 submit it to Mr. Asbury. I don't have...the Board has
14 already entered the order for 80 acres. The Board has
15 already received the original plat of 80 acres. I just
16 want to make sure the record is correct is what I want to
17 do.

18 BUTCH LAMBERT: Just submit to Mr. Asbury.

19 TOM MULLINS: Thank you.

20 BUTCH LAMBERT: Thank you, folks. We
21 appreciate your patience. We have a couple of
22 housekeeping items for the Board. The first thing that
23 we need to discuss and we need approval from this Board,
24

1 in a minute, Mr. Asbury is going to give us...give us an
2 update on the escrow audit, but before he does that just
3 to let you know that the three contractors are now on
4 Board. They're working...this is their second full week
5 that they've been employed and things are going well.
6 Mr. Asbury will take an opportunity to update that. But
7 if you'll remember a couple of weeks ago at our emergency
8 meeting, this...we asked this Board to approve the
9 purchase of the three computers and some software to run
10 those computers and we've done that. Mr. Absury was very
11 frugal with the Board's money in getting...or the escrow
12 interest money of getting those things purchased.
13 However, there was one piece of software that we need
14 to...in order to be able to more accurately...for these
15 folks to do the audit. That piece of software is going
16 to cost about \$1500 and we need approval from the Board
17 to be able to go outside and purchase that piece of
18 software.

19 BILL HARRIS: Is that for each computer or---?

20 BUTCH LAMBERT: No, that's...that's---.

21 BILL HARRIS: ---collectively?

22 BUTCH LAMBERT: No, that's...that's
23 collectively.

24

--

1 DAVID ASBURY: We hope there will be one
2 license. Again, there are different vendors. What this
3 does, it allows...it allows the orders to be scanned in
4 and looked at searchable.

5 BUTCH LAMBERT: Searchable.

6 DAVID ASBURY: The estimate is somewhere between
7 \$1500 and \$1800 according to OMIS Group.

8 BUTCH LAMBERT: And, again, this is a situation
9 where we need to stay away from the VITA and...DMME, the
10 VITA contract, so that we can purchase this software. If
11 we go...if we don't approve this and we have to go
12 through the VITA contract we're looking at another 20% n
13 top of what the software is going to cost, plus we're
14 looking at as history has shown us, maybe six months
15 before we can even get the software.

16 BILL HARRIS: You may not get it that fast.

17 BUTCH LAMBERT: And we may not get it then.
18 So---.

19 MARY QUILLEN: Well, I would like to make the
20 motion that we instruct Mr. Asbury to purchase the
21 software for the process of auditing the escrow.

22 BUTCH LAMBERT: Okay. And, again, this will be
23 software that will allow us to scan and search the Board

24

--

1 orders. Without having doing to do that, we can't...
2 there's no way of quickly doing it. It does---

3 MARY QUILLEN: Right. Right.

4 BUTCH LAMBERT: ---make it a searchable.

5 BRUCE PRATHER: Does he have a purchase contract
6 for the amount? In other words, it would be nice if we
7 could put the amount in this.

8 MARY QUILLEN: Uh-huh.

9 DAVID ASBURY: I don't have a final amount in
10 the amount that was given. There were three different
11 vendors. Our IT group was expecting to research the
12 licensing part. We're not sure. What we're hoping to do
13 and we may have to come back to the Board so they
14 understand it, if the one piece of software will allow to
15 go on a server or go to three licenses we're okay. They
16 were not sure. OMIS was not sure about the license part.
17 What we're trying to avoid is to take that one and
18 multiple it by five because we have to have five license.

19 MARY QUILLEN: Right.

20 DAVID ASBURY: So, again, I do not have a final
21 price.

22 BUTCH LAMBERT: So, would it be safe for us to
23 recommend \$1800 and if---?

24

--

1 DAVID ASBURY: I'm--- it's above that we'll ask
2 you to come back?

3 BUTCH LAMBERT: That...I'm not sure. But, yeah,
4 the price that was told to me was somewhere between \$1500
5 and \$1800. That OMIS would look to make sure that we
6 could use that for all three to get the software.

7 SHARON PIGEON: Do you think you'll know for
8 sure next week?

9 DAVID ASBURY: I don't know.

10 BUTCH LAMBERT: That's a good idea. Can
11 we...yeah, can you---?

12 DIANE DAVIS: They implied that they were going
13 to check it immediately and that was the big issue
14 was---?

15 BUTCH LAMBERT: Okay. Diane, since we're going
16 to be gone the rest of the week, would you mind working
17 with Todd---?

18 DIANE DAVIS: No.

19 BUTCH LAMBERT: ---and see if they can get a
20 price and maybe we can vote on this next week.

21 MARY QUILLEN: Okay. Okay.

22 DAVID ASBURY: Yeah. They will know for sure
23 then.
24

1 BRUCE PRATHER: Oh, okay. That is right.

2 MARY QUILLEN: Do you want to hold the motion

3 then?

4 BUTCH LAMBERT: Let's do that.

5 MARY QUILLEN: I'll withdraw my motion. We will

6 wait until the meeting next week.

7 BUTCH LAMBERT: Okay.

8 BRUCE PRATHER: That's a good idea.

9 BUTCH LAMBERT: Okay. Great. Good.

10 DAVID ASBURY: Right.

11 DIANE DAVIS: And I will find out and report to

12 you.

13 BUTCH LAMBERT: Okay. Okay, great. That's

14 good. Okay.

15 MARY QUILLEN: But we do need to get that up and

16 running and as quickly as possible.

17 BUTCH LAMBERT: Okay. And with that, I'll ask

18 Mr. Asbury to give us an update on those activities. I

19 think we're going to be surprised on how well that's

20 going.

21 DAVID ASBURY: Yeah. We did...the three

22 ladies..and you're welcome to next Tuesday, if you can

23 arrive just a few minutes earlier, all three ladies are

24

1 established and set up in the first three cubicles as you
2 go into our suit of offices. And all three have
3 experience in accounting or bookkeeping or paralegal.
4 Diane and Jim Lovett and myself spent the first week of
5 January kind of in an orientation with those ladies and
6 designed...we all as a team designed the audit pieces
7 together so that everyone would know what piece and how
8 to prepare the audit and the information that they're
9 extracting for the audit. There are four major pieces
10 there. Monday the 24th, the day before our next Board
11 meeting, which is next Monday, Roberson, Farmer and Cox
12 is coming to review the process that is in place right
13 now. We have more than 500 pages of input on monthly
14 payments just from one operator. It's going to take some
15 time, but the ladies are progressing through that. It
16 has been designed to where they're looking at each unit
17 and each well in each unit separately. So, at the end of
18 the process, we'll have a complete accounting of it. So,
19 again, the time frame I'm not certain, but all three
20 ladies are in place. The process is in place. The
21 equipment is in place. It's an...I feel like we're in
22 full swing of the audit, the detailed audit.

23 BRUCE PRATHER: Will our computer be in sink

24

--

1 with Roberson and Farmers.

2 DAVID ASBURY: They provided the process for us.

3 Mr. Stone provided what he wanted and we actually took
4 that and expanded it just a little based on what our APA
5 audit requested. He agreed. We worked back and forth
6 that first week. So, both...both things are in place as
7 far as what Roberson, Farmer and Cox requested and some
8 of the enhancement that APA audit requested.

9 BUTCH LAMBERT: And just as an additional note,
10 DMME, we have an internal auditor that's on staff and
11 he...that's his position is the internal...internal
12 auditor of our agency. What we have done is we're going
13 to place him overseeing the process. So, he will be
14 doing an internal audit of the process to make sure that
15 we're not getting too far off line to do that. So,
16 I'm...will he be able to be down Monday?

17 DAVID ASBURY: We will invite him, yes.

18 BUTCH LAMBERT: Okay.

19 DAVID ASBURY: We hope he will be.

20 BUTCH LAMBERT: So, that's just another added
21 step that we wanted to do to make sure that we don't get
22 too far out of...out of bounds here with what we're doing
23 in relationship to what Robertson, Farmer and Cox needs

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1 to get that done.

2 DAVID ASBURY: And one addition, Mr. Lambert and
3 I met with the gas companies and we discussed the pieces
4 of information that we needed. As the Board required
5 them, they did provide us with the 2009 reconciliation on
6 Dec...in December the 1st. That's where we have started.
7 We started at the end of the process. As we sit here
8 today, we do not have any of the historical time other
9 than 2009. We requested the operators to start with '08,
10 '07 and '06 and provide those in that order. We hope to
11 receive those. I believe our ladies will be through with
12 2009 probably late February or March and we'll be needing
13 the '08 and '07 time period.

14 MARY QUILLEN: Can you ask them or request that
15 they have it submitted by March 1?

16 DAVID ASBURY: Yes, we can. We asked them to
17 submit it as they prepared it beginning with the '08
18 year. So, we can do that.

19 MARY QUILLEN: And let them know that they can
20 do it in the increments of those years as they go back
21 but not wait and try to submit all of it at one time. If
22 they would submit it incrementally by year, it would be
23 much easier and probably easier for---.

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1 DAVID ASBURY: Yes.

2 MARY QUILLEN: ---the ladies that are doing
3 this.

4 BUTCH LAMBERT: Actually, they talked about...or
5 asked if quarterly would be sufficient and we thought,
6 yeah, that would be great if you could even do it
7 quarterly.

8 MARY QUILLEN: Exactly. Right. Yeah.

9 BUTCH LAMBERT: Uh-huh.

10 DAVID ASBURY: And I would encourage the Board
11 members to go meet the ladies that are working...working
12 on this process.

13 BUTCH LAMBERT: Because they're working for this
14 Board.

15 DAVID ASBURY: They are working for you. Mr.
16 Lambert and I have a process of our we're paying them
17 through the hourly and with time sheets and things of
18 that nature.

19 BUTCH LAMBERT: And we'll...we'll provide the
20 Board quarterly updates too of the time that is spending
21 and the money that has been spent with those.

22 DAVID ASBURY: Yes. We're keeping a running tab
23 of the expense for labor on the audit and we'll provide
24

1 that, as you wish. We're doing it weekly and I'm
2 recording it for you weekly. So, I guess, at each Board
3 meeting beginning probably with February, I can give you
4 an update of how much was spent in January and so forth.

5 BUTCH LAMBERT: So, all and all we've got a game
6 buster start here. We're done real well.

7 MARY QUILLEN: Well, I just think this is the
8 best thing that we have ever done. I really think it's
9 putting us right where we need to be to try and get this
10 problem resolved. I really think this is a great start.
11 You folks have done an outstanding job. I mean, really,
12 to have made this much progress in this short of time,
13 I'm impressed.

14 DAVID ASBURY: Well, that's because of Chairman
15 Lambert and this lady that's sitting beside of me here.

16 MARY QUILLEN: Well, you all have done a
17 fantastic job.

18 BUTCH LAMBERT: Well, I won't take any...I won't
19 take any credit. It's a staff effort. It's everybodys.
20 It's not any one person. So, we will continue to keep
21 you updated. On...just one step further, Mr. Asbury
22 mentioned the APA audit and we committed in the APA audit
23 that in the December meeting we would bring that audit up

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1 and discuss that at this Board. However, that didn't
2 happen because of weather. This month we're...since
3 we're running so late, I'm going to request that we try
4 to do that in February and that will give...did everyone
5 receive copies of that audit?

6 (Board members indicate in the affirmative.)

7 BUTCH LAMBERT: Okay. So, if you don't mind, if
8 you'll look that over again and we'll discuss that in
9 February. The bottom line that...we were really, really
10 surprised. That audit was a very, very good audit.

11 MARY QUILLEN: And I was...I was...I was
12 pleasantly surprised because it was really excellent. It
13 was what we were hoping, but really didn't---.

14 BUTCH LAMBERT: Well, we were holding our
15 breath.

16 MARY QUILLEN: Exactly.

17 BUTCH LAMBERT: We were holding our breath.

18 MARY QUILLEN: That we would get that kind of
19 report. But, believe me, having some previous experience
20 with J-Lark and the audits that they do, that was
21 excellent. It really was. I felt really good about it.

22 BUTCH LAMBERT: Well, I'm going to brag just a
23 little bit too. At our exit interview when we talked

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1 with the auditor, and I've told several folks this and
2 I'm going to make it a public statement on the record
3 here at this Board hearing, that the auditor said that
4 was the easiest audit that he had ever done and that was
5 based upon the work that David and his staff did in
6 helping them understand what we did and providing the
7 information for them. So, we owe them a big thanks---.

8 MARY QUILLEN: Oh, absolutely. Yes.

9 BUTCH LAMBERT: ---for all their work. Don't
10 point fingers, it was a team...it was a team effort.

11 DAVID ASBURY: Staff. Staff.

12 SHARON PIGEON: Finger pointers. Finger
13 pointers.

14 BUTCH LAMBERT: So, be prepared at the February
15 meeting, there are some recommendations in that audit
16 that we were going to have to look at and decide as the
17 Board on how to proceed with those recommendations.
18 Anything else?

19 DAVID ASBURY: I wanted to pass out our year-
20 end. I know in your packets...this agrees with what the
21 escrow agent...if you don't care to take one and pass it
22 down. This agrees with what First Bank & Trust provided
23 to you earlier this morning and it's just for records.

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1 It gives a larger breakout of what our costs were and
2 what the disbursements were for the year. We did...we
3 did surpass previous years except for last year in our
4 disbursements. We ended up with \$1,310,00 disbursed.
5 That will be our second best year in the history of the
6 escrow account. Diane and I are committed. Of course,
7 we don't control this number. This number is from our
8 gas producers. But we're committed to improve our
9 process for you so that we can get these disbursements
10 out timely and hopefully this will grow this year. We
11 would like to make 2011 another record year for the
12 Board.

13 BUTCH LAMBERT: Thank you, Mr. Asbury. Any
14 other business?

15 (No audible response.)

16 BUTCH LAMBERT: The only thing that I have left
17 on my docket is review and approval of the minutes from
18 the November meeting. Are there any changes or
19 recommendations or recommended changes to the minutes
20 from November?

21 (No audible response.)

22 BUTCH LAMBERT: If none, may I have a motion to
23 accept the minutes?

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1 MARY QUILLEN: Motion to accept.
2 BILL HARRIS: Second.
3 BUTCH LAMBERT: I have a motion and a second.
4 Any discussion?
5 (No audible response.)
6 BUTCH LAMBERT: All those in favor, signify by
7 saying yes.
8 (All members signify by saying yes.)
9 BUTCH LAMBERT: Opposed, no.
10 (No audible response.)
11 BUTCH LAMBERT: Ladies and gentlemen, thank you.
12 Personally, I want to thank you too for offering to come
13 back next week for---.
14 SHARON PIGEON: Is that an offering?
15 BUTCH LAMBERT: It will...it will certainly help
16 our business as we get into the new year. So, thank you
17 very much. We'll see you all next week.
18
19 STATE OF VIRGINIA:
20 COUNTY OF BUCHANAN:
21 I, Sonya Michelle Brown, Court Reporter and
22 Notary Public for the State of Virginia, do hereby
23 certify that the foregoing hearing was recorded by me on
24

1 a tape recording machine and later transcribed under my
2 supervision.

3 Given under my hand and seal on this the 7th
4 day of February, 2011.

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NOTARY PUBLIC

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8 My commission expires: August 31, 2013.

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